



Executive Summary of Performance

Prepared For

California Public Employees' Retirement System

Judges II

Long-Term Care

Legislators' Fund

California Employers' Retiree Benefit Trust

Supplemental Income Plans

Third Quarter 2011

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Capital Market Overview

Global stock markets took a tumble during the third quarter of 2011, battered by worries over a worldwide economic slow-down that hinted at a return to recession, a headline-grabbing downgrade of U.S. Treasury debt over political paralysis in Washington and the ongoing European debt crisis. The U.S. economy struggled to maintain positive traction over the quarter in the face of sluggish industrial production and consumer spending. Real Gross Domestic Product increased at a fairly anemic 1.3% annual rate in the second quarter, while first-quarter real GDP was revised downward to 0.4%; the official unemployment rate remained above 9%. With the Federal legislative and executive branches seemingly unable to reach productive consensus on dealing with the U.S.'s economic woes and raising the debt ceiling, on August 5 Standard & Poor's took the unusual step of announcing a downgrade of longer-term U.S. Treasury securities from AAA to AA+, based on political inertia and not on the U.S.'s actual ability to pay down its debt, which has never been in question. Interestingly, investors reacted by selling off stocks and seeking safe harbor in U.S. Treasuries, driving yields lower. The U.S. Consumer Price Index (All Urban Consumers) rose 0.52% in the third quarter, with higher prices for core consumer non-perishables slightly offset by a 0.10% drop in food and energy prices; over the trailing twelve months ended September 30, consumer prices rose 3.87%, with food and energy accounting for a full 1.89% of that increase. Higher volatility in global stock prices sent investors to seek shelter in investment-grade bonds, although the debt crisis in continental Europe has put pressure on sovereign yields in Greece and other debt-laden economies in the region. China's economic expansion began signaling an upcoming slowdown, adding fuel to the selloff in global stocks and sending commodities prices mostly lower. Although gold rose 7.61% to close the quarter at \$1,620.00 per troy ounce, crude oil plunged 17.00% to \$79.20 per barrel; the Dow Jones UBS Commodity Index dropped 11.33% for the third quarter.

U.S. Equity Market

The U.S. stock market fell in all three months of the third quarter, with the Wilshire 5000 Total Market IndexSM returning 15.04% for the quarter. Stock price volatility spiked dramatically during the quarter; the CBOE Volatility Index (VIX) started the quarter at levels below 16, but rose above 40 as global events overwhelmed the markets. The somewhat better (or less-bad) return of 13.87% for the S&P 500 Index reflects investor sentiment that favored large-cap stocks over smaller issues. The Wilshire US Large-Cap Index fell 14.21% over the third quarter, while the Wilshire US Small-Cap and Micro-Cap indexes plunged 21.65% and 22.31%, respectively. In a theme often seen in periods of sharp market declines, defensive large-cap value stocks outperformed large-cap growth issues (Wilshire US Large-Cap Value, 13.57%; Wilshire US Large-Cap Growth, 14.92%). Conversely, small-cap value stocks were hurt by the continued turmoil in the U.S. financial industry, pulling back somewhat more than small-cap growth issues (Wilshire US Small-Cap Value, 22.11%; Wilshire US Small-Cap Growth, 21.19%). Turning to economic sectors of the S&P 500 (GICS classification), only Utilities managed positive performance during the third quarter (1.54%); the next-best performing sector was Consumer Staples, with a 4.19% return. %. As global economies and markets swooned in the face of renewed recession worries, economically-sensitive sectors such as Materials (24.05%), Financials (22.80%), and Industrials (21.02%) were the worst-performing S&P 500 sectors for the quarter. Real estate-related stocks, which up to now had been surprisingly resilient compared to the overall stock market, finally fell out of bed in the third quarter, with a return of 15.08% for the Wilshire US Real Estate Securities Index.



Fixed Income Market

Global economic woes sent investors cashing out risky assets and snapping up U.S. Treasuries in the third quarter. With the U.S. economy's growth stalling and unemployment staying stubbornly high, the Federal Reserve has doubled down on its low-interest-rate policies, suggesting that the U.S. recovery from recession will take much longer than originally hoped. The Fed added fuel to the rally in Treasuries by initiating "Operation Twist" on September 21, moving out of short-term Treasury holdings into longer-term paper to keep long-term interest rates low. The bellwether 10-year Treasury yield plunged 126 basis points to a stunning 1.92%; the yield on two-year Treasuries moved 20 bps lower to 0.25%, while the 30-year Treasury yield dropped 148 bps to 2.90%. Naturally, the strongest performers in global debt markets were long-term U.S. government paper; the Barclays U.S. Treasury 1-3 Year Index returned 0.50% for the third quarter, while the Barclays U.S. Treasury Long Index soared to a 24.66% return. Yield spreads on corporate bonds widened considerably during the quarter, depressing their performance relative to U.S. Treasuries; the option-adjusted spread on the Barclays U.S. Credit Index widened 78 bps to 218 bps, reflected in this index's 3.03% underperforming the Barclays U.S. Government Index's 5.84%. With the mortgage-backed securities sector yielding relatively lackluster performance (Barclays U.S. MBS, 2.36%), the Barclays U.S. Aggregate Index returned 3.82% for the quarter. The U.S. high yield bond market followed U.S. stocks sharply lower. The OAS spread on the Barclays High Yield Index widened a dramatic 282 bps to end the quarter at 807 bps; this index was the worst performer of the U.S. broad bond market with a 6.06% return for the third quarter.

Non-U.S. Markets

The debt problems plaguing smaller markets in the Eurozone spread into the core economies of continental Europe, with many major banks reeling from their exposure to Greece's sovereign issuance. The very real possibility of a Greek debt default and austerity measures aimed at bringing fiscal discipline to the Eurozone have dampened growth forecasts for most of Europe. A global flight to safety depressed returns for developed market stocks worldwide, with Pacific region equities experiencing a smaller pullback. The MSCI Europe Index (net dividends) pulled back 17.60% over the third quarter in local currency terms, while the MSCI Pacific Index (net dividends) fell a less-dramatic 11.95% (local currency). Given the economic turmoil in continental Europe, the U.S. dollar unsurprisingly strengthened against the euro and eroded performance of European investments for dollar-based investors (MSCI Europe, net, 22.61% USD). However, the yen actually strengthened during the quarter, and Pacific region stock holdings' performance improved slightly in dollar terms (MSCI Pacific, net, 11.70% USD). Emerging market stocks were not immune to effects of the global selloff, especially in light of an economic slowdown in China. Among the broad indexes, the MSCI Emerging Markets Index (net), at 15.03%, outperformed the MSCI EAFE (net, 15.74%) and the MSCI All Countries World ex-US (net, 15.30%), in local currency terms. In U.S. dollar terms, however, the EAFE (net) at 19.01% bested both the ACWI ex-US (net, 19.85%) and the Emerging Markets Index (net, 22.56%). Despite the debt crisis in Europe, global bonds managed positive performance in the third quarter in their local markets. The Barclays Global Aggregate ex US Index returned 2.55% in USD-hedged terms, while the Barclays Emerging Markets Local Currency Government Universal Index rose 1.52% in USD-hedged terms. Converted to USD terms, however, the Global Aggregate returned 0.74%, while the Emerging Markets Local Currency Government Universal dropped 5.73%.



Summary of Index Returns

For Periods Ended September 30, 2011

	Quarter	One Year	Three Years	Five Years	Ten Years
Domestic Equity					
Standard & Poor's 500	-13.86%	1.15%	1.22%	-1.18%	2.81%
Wilshire 5000	-15.04	0.58	1.49	-0.75	3.83
Wilshire 4500	-20.60	-2.02	3.19	0.93	7.35
Wilshire Large Cap	-14.21	0.93	1.24	-0.90	3.32
Wilshire Small Cap	-21.65	-2.22	3.90	1.16	8.13
Wilshire Micro Cap	-22.31	-6.24	1.65	-3.57	8.05
Domestic Equity					
Wilshire Large Value	-13.57%	1.65%	-0.36%	-2.69%	3.45%
Wilshire Large Growth	-14.92	0.11	2.75	0.79	3.10
Wilshire Mid Value	-20.29	-4.18	2.05	-0.33	6.10
Wilshire Mid Growth	-22.07	0.85	7.34	3.64	8.69
Wilshire Small Value	-22.11	-5.42	1.93	-0.43	7.88
Wilshire Small Growth	-21.19	1.01	5.85	2.75	8.29
International Equity					
MSCI All World ex U.S. (USD)	-13.86%	1.15%	1.22%	-1.18%	2.81%
MSCI All World ex U.S. (local currency)	-15.14	-9.99	-0.98	-3.47	3.43
MSCI EAFE	-19.01	-9.36	-1.13	-3.46	5.03
MSCI Europe	-22.61	-11.80	-2.76	-4.13	4.81
MSCI Pacific	-11.70	-4.28	2.37	-2.09	5.47
MSCI EMF Index	-22.56	-16.15	6.27	4.87	16.07
Domestic Fixed Income					
Barclays Aggregate Bond	3.82%	5.26%	7.97%	6.53%	5.67%
Barclays Credit	3.03	4.56	11.74	6.72	6.26
Barclays Mortgage	2.36	5.56	7.02	6.69	5.60
Barclays Treasury	6.48	5.97	6.52	6.78	5.54
Citigroup High Yield Cash Pay	-5.42	2.33	13.27	6.79	8.63
Barclays US TIPS	4.51	9.87	8.13	7.10	7.17
91-Day Treasury Bill	0.02	0.14	0.21	1.73	2.02
International Fixed Income					
Citigroup Non-U.S. Gov. Bond	0.95%	4.14%	8.09%	7.77%	7.97%
Citigroup World Gov. Bond	2.38	4.61	7.71	7.54	7.44
Citigroup Hedged Non-U.S. Gov.	3.03	1.32	4.62	4.36	4.44
Currency*					
Euro vs. \$	-7.46%	-1.72%	-1.52%	1.16%	3.95%
Yen vs. \$	4.77	8.38	11.26	8.90	4.45
Pound vs. \$	-2.97	-1.14	-4.39	-3.57	0.58
Real Estate					
Wilshire REIT Index	-14.64%	2.10%	-2.05%	-3.11%	9.11%
Wilshire RESI	-15.08	1.76	-2.20	-3.27	9.16
NCREIF Property Index	3.30	16.10	-1.45	3.40	7.82



Summary Review of Plans Periods Ended 9/30/11

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
TOTAL FUND for PERF	\$219.4 bil	-7.0%	4.0%	2.2%	1.0%	5.4%
<i>Total Fund Policy Benchmark ¹</i>		-7.2%	4.6%	5.1%	3.3%	6.4%
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.8%	7.8%
<i>TUCS Public Fund Median</i>		-8.9%	1.3%	4.2%	2.2%	5.5%
<i>Wilshire Large Fund Universe Median</i>		-8.3%	2.4%	4.0%	2.2%	5.7%
Affiliate Fund						
Judges II	\$527.2 mil	-9.3%	0.1%	4.3%	1.6%	5.0%
<i>Weighted Policy Benchmark</i>		-8.6%	0.5%	4.1%	1.9%	5.1%
Long-Term Care ("LTC")	\$3,072.6 mil	-7.1%	2.3%	6.4%	3.1%	5.5%
<i>Weighted Policy Benchmark</i>		-6.9%	2.0%	5.8%	3.1%	5.4%
CERBT Strategy 1	\$1,681.1 mil	-11.6%	-0.9%	3.1%	-.-%	-.-%
<i>Weighted Policy Benchmark</i>		-11.4%	-1.0%	3.1%	-.-%	-.-%
CERBT Strategy 2	\$0.5 mil	-.-%	-.-%	-.-%	-.-%	-.-%
<i>Weighted Policy Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%
<i>TUCS Public Fund Median</i>		-8.9%	1.3%	4.2%	2.2%	5.5%
Legislators' Fund						
LRS	\$117.0 mil	-3.3%	4.4%	8.3%	4.6%	5.8%
<i>Weighted Policy Benchmark</i>		-2.6%	4.6%	7.2%	4.5%	6.0%
<i>TUCS Public Fund Median</i>		-8.9%	1.3%	4.2%	2.2%	5.5%

¹ The Total Fund Policy Benchmark return equals the return for each asset class benchmark weighted at the current target asset allocation.



Total Fund Review PERF Periods Ended 9/30/2011

	Market Value	Five-Year Ratios							
		Otr	1 Year	3 Year	5 Year	10 Year	VaR ¹²	Sharpe ¹³	Info ¹⁴
TOTAL FUND	\$219.4 bil	-7.0%	4.0%	2.2%	1.0%	5.4%	\$29.3 bil	-0.1	-0.8
Total Fund Policy Benchmark ²		-7.2%	4.6%	5.1%	3.3%	6.4%		0.1	0.0
Actuarial Rate		1.9%	7.8%	7.8%	7.8%	7.8%			
TUCS Public Fund Median		-8.9%	1.3%	4.2%	2.2%	5.5%			
Wilshire Large Fund Universe Median		-8.3%	2.4%	4.0%	2.2%	5.7%			
GROWTH	134.7	-13.3%	1.3%	1.8%	0.3%	5.3%	\$24.4 bil	-0.1	-0.5
Growth Policy Benchmark ³		-14.2%	1.5%	3.8%	1.7%	5.9%		0.0	0.0
PUBLIC EQUITY	100.5	-17.9%	-5.8%	0.9%	-1.6%	4.5%	\$17.3 bil	-0.2	-0.5
Public Equity Policy Benchmark ⁴		-18.1%	-6.6%	1.6%	-0.8%	4.8%		-0.1	0.0
TUCS Equity Median		-17.3%	-2.4%	1.6%	-0.9%	4.8%			
PRIVATE EQUITY	34.2	3.7%	28.4%	6.1%	10.2%	8.9%	\$9.9 bil	0.8	-0.3
Private Equity Policy Benchmark ⁵		0.8%	35.9%	13.9%	14.2%	10.2%		1.0	0.0
INCOME	40.7	6.5%	8.5%	13.6%	8.8%	7.9%	\$5.2 bil	1.0	0.1
Income Policy Benchmark ⁶		7.8%	8.8%	11.3%	8.4%	7.3%		1.0	0.0
TUCS Fixed Income Median		0.8%	4.3%	8.9%	6.4%	6.4%			
REAL ASSETS ⁷	22.1	2.4%	12.9%	-17.2%	-10.8%	3.0%	\$2.5 bil	-0.8	-1.2
Real Assets Policy Benchmark ⁸		2.3%	15.4%	0.0%	5.4%	9.7%		0.5	0.0
INFLATION	7.0	-2.7%	10.9%	0.3%	-.%	-.%	\$0.6 bil	N/A	N/A
Inflation Policy Benchmark ⁹		-1.6%	6.9%	1.4%	-.%	-.%		N/A	N/A
LIQUIDITY	8.6	3.1%	3.0%	1.4%	2.6%	2.6%	\$0.4 bil	N/A	N/A
Liquidity Policy Benchmark ¹⁰		3.5%	3.6%	1.6%	2.7%	2.5%		N/A	N/A
ABSOLUTE RETURN STRATEGIES ¹¹	5.3	-1.5%	2.3%	3.3%	2.5%	-.%		0.1	-0.7
Absolute Return Strategies Policy Benchmark ¹¹		1.4%	5.6%	6.3%	7.9%	-.%		6.4	0.0
CURRENCY + ASSET ALLOCATION TRANSITION	0.9	-.%	-.%	-.%	-.%	-.%			

² The Total Fund Policy Benchmark return equals the return for each asset class benchmark weighted at the current target asset allocations.

³ Growth Policy Benchmark equals the benchmark returns of public equity and private equity weighted at policy allocation target percentages.

⁴ The Public Equity Policy Benchmark is a custom global benchmark maintained by FTSE.

⁵ The Private Equity Policy Benchmark is the weighted average of Custom FTSE All World x-US Index 1-quarter lagged and Custom FTSE TMI 1-quarter lagged, with a hurdle of + 3%.

⁶ The Income Policy Benchmark equals the benchmark returns of domestic and international fixed income components weighted at policy allocation target percentages.

⁷ Real Assets include real estate, whose returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁸ The Real Assets Policy Benchmark equals the benchmark returns of real estate, timber, and infrastructure weighted at policy allocation target percentages.

⁹ The Inflation Policy Benchmark equals the benchmark returns of commodities and TIPS weighted at policy allocation target percentages.

¹⁰ The Liquidity Policy Benchmark is a custom index maintained by State Street Bank.

¹¹ The Absolute Return Strategies program was excluded from Public Equity on July 1, 2011. Public Equity history does not include Absolute Return Strategies performance. The Absolute Return Strategies Policy Benchmark is currently Merrill Lynch Treasury 1-Year Note + 5%.

¹² VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

¹³ The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.

¹⁴ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.



Total Fund Review for PERF (continued)

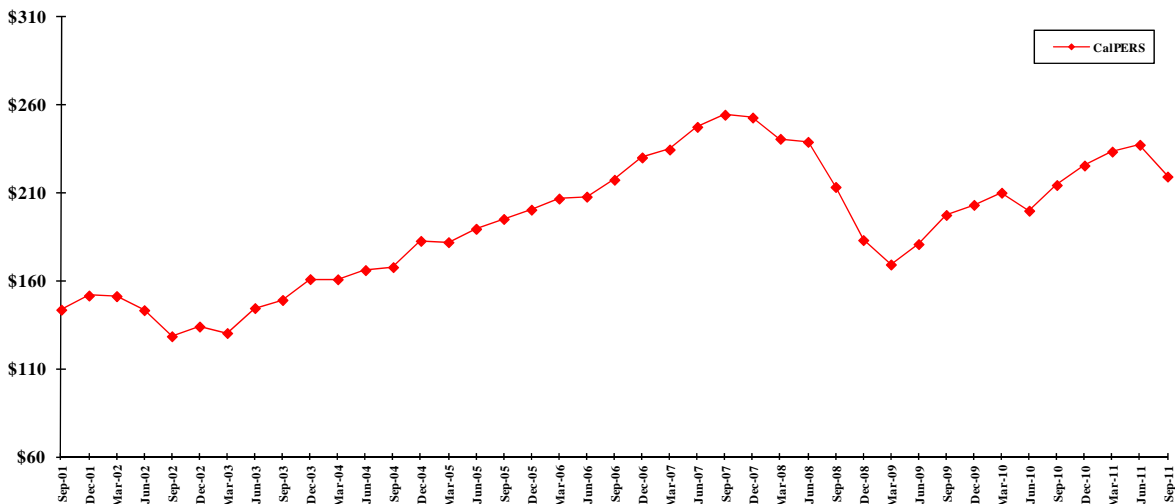
Periods Ended 9/30/11

Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
3Q11	237,510	(1,246)	(233)	(16,670)	219,361	-7.0%

Total Fund Market Value

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>1Q10</u>	<u>2Q10</u>	<u>3Q10</u>	<u>4Q10</u>	<u>1Q11</u>	<u>2Q11</u>	<u>3Q11</u>
Market Value (\$bil)	182.8	200.6	230.3	253.0	183.3	203.3	210.2	200.0	214.6	225.7	233.6	237.5	219.4



Asset Allocation

Asset Allocation: Actual versus Target Weights*

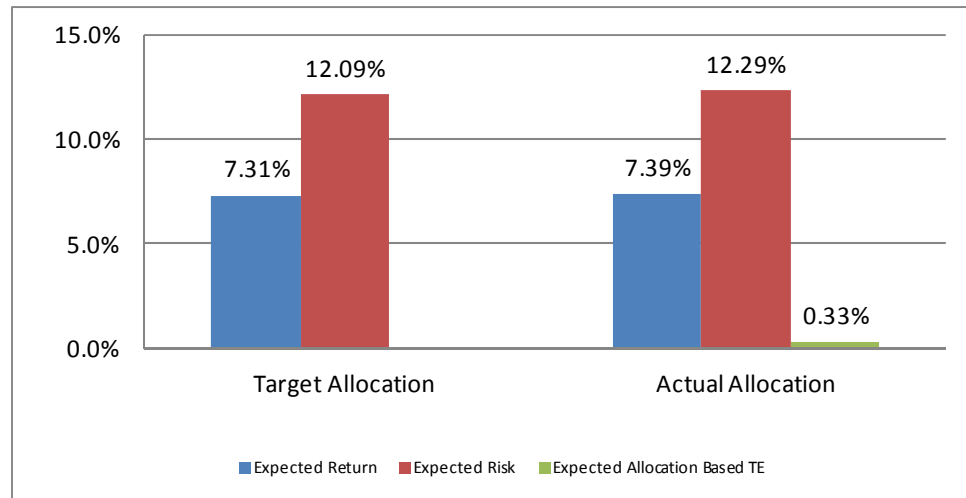
<u>Asset Class</u>	<u>Actual Asset Allocation</u>	<u>Target Asset Allocation</u>	<u>Difference</u>
Growth	61.8%	64.0%	-2.2%
Income	18.6%	19.0%	-0.4%
Real Assets	10.1%	10.0%	0.1%
Inflation	3.2%	3.0%	0.2%
ARS	2.4%	0.0%	2.4%
Liquidity	3.9%	4.0%	-0.1%

* Asset allocation targets are in the process of shifting to the new targets adopted by the Investment Committee in January 2008. Transitions accounts are included with their respective asset classes. The 9/30 cash allocation included transition assets that have been recaptured elsewhere since the adoption of a new asset allocation policy in July

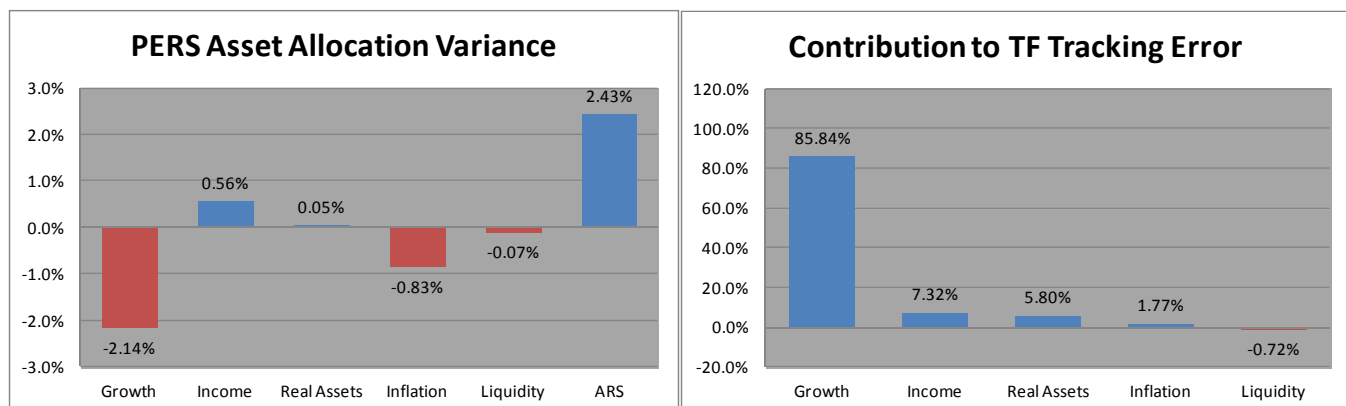
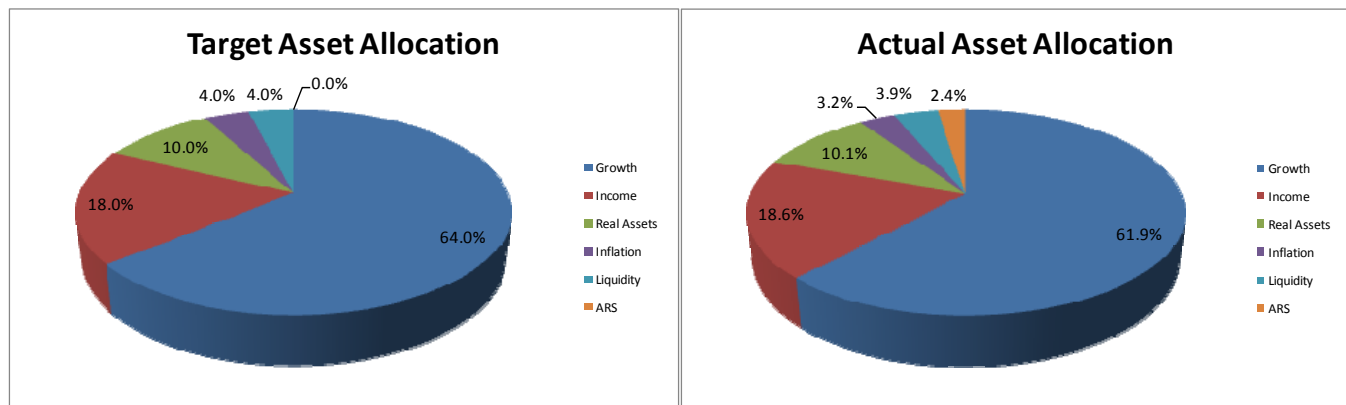


Total Fund Review for PERF (continued) Periods Ended 9/30/11

Expected Return/Risk and Tracking Error based on Wilshire's Asset Class Assumptions



Total Fund Asset Allocation

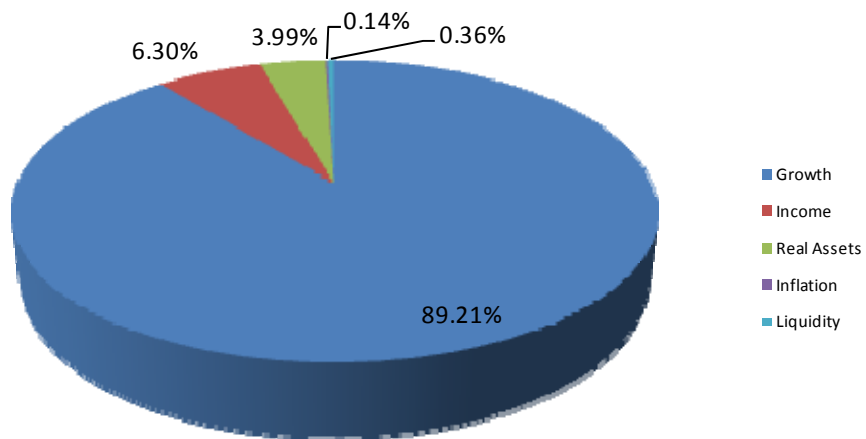




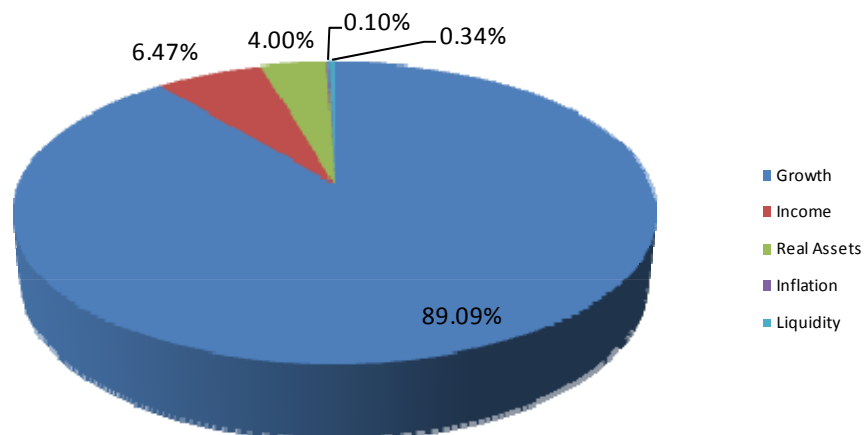
Total Fund Review for PERF (continued)
Periods Ended 9/30/11

Contribution to Total Risk based on Wilshire's Asset Class Assumptions

Contribution to Total Risk - Target Allocation



Contribution to Total Risk - Target Allocation



California Public Employees' Retirement System
Total Fund Attribution
Total Composite
Quarter Ended 9/30/2011

Composite	Allocation			Returns			Total Fund Return Contribution				
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Strategic Policy (%)	Actual Allocation (%)	Active Management (%)	Activity / Timing (%)	Weighted Return (%)
Growth	64.00	63.54	-0.46	-14.16	-13.27	0.89	-9.06	0.03	0.57	0.03	-8.43
Income	19.00	18.19	-0.81	7.78	6.49	-1.29	1.48	-0.12	-0.23	0.06	1.18
Real Assets	10.00	9.01	-0.99	2.28	2.38	0.10	0.23	-0.09	0.01	0.07	0.21
Inflation	3.00	2.15	-0.85	-1.58	-2.68	-1.10	-0.05	-0.05	-0.02	0.06	-0.06
Liquidity	4.00	4.88	0.88	3.47	3.15	-0.32	0.14	0.09	-0.02	-0.06	0.15
Absolute Return Strategy	0.00	2.23	2.23	1.36	-1.50	-2.86	0.00	0.19	-0.06	-0.16	-0.03
Total Fund	100.00	100.00	0.00	-7.16	-7.00	0.16	-7.16	0.05	0.24	-0.13	-7.00

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance.



Total Fund Review for PERF (continued)

Periods Ended 9/30/11

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of -7.0%, for the quarter ended September 30, 2011. CalPERS' return can be attributed as follows:

-7.16%	Strategic Policy Allocation
0.05%	Actual/Tactical Asset Allocation
0.24%	Active Management
<u>-0.13%</u>	Activity/Timing
-7.00%	Total Return

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
 - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ CalPERS' Total Fund generated a return of -7.0% during the second quarter, modestly outperforming relative to its strategic policy benchmark, which returned -7.16%. Per Wilshire's attribution, the System's lower-than-target allocation to income (18.2% actual vs. 19.0% policy) and real assets (9.0% actual vs. 10.0% policy) were the largest detractors, given that these were the two major asset classes that posted gains during the challenging third quarter. On the active management side, good relative performance by the growth asset class, which beat its policy benchmark by 89 bps, was the System's main contributor.
- ◆ The Total Fund composite's return was lower than its actuarial rate (1.9%) this quarter, and its longer-term track record over one-year also continues to trail the actuarial rate.



Total Fund Review for PERF (continued)

Periods Ended 9/30/11

Relative to the Total Fund Policy Benchmark:

- ◆ **Growth Exposure:** The System's growth composite was the lowest returning major asset class in absolute term. While the composite outperformed relative to its own policy, it trailed the total fund policy benchmark. The negative shock associated with the U.S. rating downgrade by Standard & Poor's, Europe's struggle in containing the peripheral countries' debt situation, and the growing expectation of slowing global economic growth contributed to investor jitters and prompted a continued retreat from this space.
- ◆ **Income Exposure:** CalPERS' overall income composite generated a total return of 6.5% for the quarter and handily outperformed the total fund policy's -7.2% return, although it trailed its own policy benchmark, which was up 7.8%. Both of the System's U.S. fixed income composite and international fixed income composites reported positive gains (7.0% and 1.5%, respective). This was achieved as yields continued to slide during the third quarter, driven by shelter-seeking investors on concerns that European sovereign debt crisis will spread and constrain global economies.
- ◆ **Real Assets Exposure:** The System's real assets segment returned 2.4% and performed better than the total fund policy for the quarter. While it was a challenging quarter for the publicly traded REITs, the core real estate portfolio benefited from continued improving valuations and the real property investments also posted favorable gains.
- ◆ **Inflation Exposure:** The CalPERS Inflation composite reported a decline of -2.7% for the quarter, faring better than the total fund policy but underperformed its own custom policy benchmark (-1.6%). This quarter's performance was primarily attributed to the commodities portfolio, which experienced a sharp selloff after the prospect of global economic growth dimmed.
- ◆ **Liquidity:** CalPERS' Liquidity/short-term asset class earned a third quarter return of 3.2%, modestly trailing its custom policy benchmark of 3.5% but outperformed relative to the total fund policy benchmark.
- ◆ **Absolute Return Strategy:** The Absolute Return Strategy program posted a small loss for the quarter, with returns of -1.5% that was better relative to the total fund policy but trailed its own custom policy benchmark (1.4%).

Growth Review for PERF

Periods Ended 9/30/11

Growth Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Growth	61.8%	64.0%	-2.2%
Public Equity	46.2%	50.0%	-3.8%
Private Equity	15.6%	14.0%	+1.6%

Growth Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ²²	5-year Sharpe Ratio ²³	5-year Info Ratio ²⁴
GROWTH	134.7	-13.3%	1.3%	1.8%	0.3%	5.3%	\$24.4 bil	-0.1	-0.5
Growth Policy Benchmark		-14.2%	1.5%	3.8%	1.7%	5.9%		0.0	0.0
Value Added		0.9%	-0.2%	-2.0%	-1.4%	-0.6%			
PUBLIC EQUITY¹⁵	100.5	-17.9%	-5.8%	0.9%	-1.6%	4.5%	\$17.3 bil	-0.2	-0.5
Public Equity Policy Benchmark ¹⁶		-18.1%	-6.6%	1.6%	-0.8%	4.8%		-0.1	0.0
Value Added		0.2%	0.8%	-0.7%	-0.8%	-0.3%			
US Equity Composite (ex ARS)	45.2	-15.5%	0.4%	1.6%	-0.9%	3.6%		-0.1	-0.1
Custom US Equity Benchmark ¹⁷		-15.4%	0.2%	1.3%	-0.8%	3.5%		-0.1	0.0
Value Added		-0.1%	0.2%	0.3%	-0.1%	0.1%			
Total Int'l Equity (ex ARS)	53.7	-20.0%	-10.5%	1.3%	-1.4%	-.%		-0.1	0.4
Custom Int'l Equity Benchmark ¹⁸		-19.8%	-10.2%	0.1%	-1.9%	-.%		-0.2	0.0
Value Added		-0.2%	-0.3%	1.2%	0.5%	-.%			
Global Equity Equitization	1.6	-16.0%	-3.8%	-.%	-.%	-.%			
Custom Benchmark ¹⁹		-18.1%	-6.6%	-.%	-.%	-.%			
Value Added		2.1%	2.8%	-.%	-.%	-.%			
PRIVATE EQUITY (AIM)²⁰	34.2	3.7%	28.4%	6.1%	10.2%	8.9%	\$9.9 bil	0.8	-0.3
AIM Policy Benchmark ²¹		0.8%	35.9%	13.9%	14.2%	10.2%		1.0	0.0
Value Added		2.9%	-7.5%	-7.8%	-4.0%	-1.3%			
Private Equity Partnership Investments	34.1	3.8%	28.7%	6.2%	10.3%	8.9%			
Private Equity Distribution Stock	0.1	-23.0%	-17.6%	24.5%	7.7%	10.2%			

¹⁵ Includes domestic equity, international equity, corporate governance, and MDP ventures. It does not include asset allocation transition accounts; those accounts are reflected in total fund but are not included in any composite.

¹⁶ The Public Equity Policy Benchmark is a custom global benchmark maintained by FTSE.

¹⁷ The Custom US Equity Benchmark currently represents the FTSE Total Market Index. It is linked historically to its prior benchmarks.

¹⁸ The Custom Int'l Equity Benchmark currently represents the FTSE All World ex US Index. It is linked historically to its prior benchmarks.

¹⁹ The Custom Global Equity Equitization Benchmark is currently the same as the Public Equity Policy Benchmark.

²⁰ The performance of CalPERS' private equity (AIM) investments is 1-quarter lagged.

²¹ The AIM Policy Benchmark currently equals (67% FTSE US TMI + 33% FTSE AW x-US TMI) + 3% 1-quarter lagged, and is linked historically to its prior benchmarks.

²² VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

²³ The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

²⁴ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

Growth Review for PERF (continued)

Comments Regarding Growth Segment Performance

Helped Performance:

- ◆ **Asset Allocation:** The System was underweight in public equity (-3.8%) and overweight in private equity (+1.6%) relative to its asset allocation targets. This allocation variance contributed positively given that public equity posted the lowest third quarter results while private equity produced the second highest absolute return among major asset classes.
- ◆ **Private Equity Exposure:** The private equity composite, represented by the AIM investments, returned 3.7% during the third quarter, outperforming both of its policy benchmark and the Growth policy benchmark.
- ◆ **Corporate Governance:** The corporate governance program's 3Q return of -13.1% performed better relative to its own policy benchmark as well as the Growth policy benchmark.

Impeded Performance:

- ◆ **U.S. Equity Exposure:** CalPERS' internal and external U.S. equity composites generated a third quarter return of -15.4% and -16.1%, respectively, and both underperformed the -14.2% return of the Growth policy benchmark.
- ◆ **International Equity Exposure:** The System's international equity portfolios contributed negatively to the Growth asset class's relative performance during the third quarter, as the internal international equity composite returned -20.3% and external international equity composite returned -18.5%, both trailing the -14.2% of the Growth policy benchmark.
- ◆ **MDP:** The Manager Development Program generated a return of -17.2% for the quarter and trailed the Growth policy benchmark.
- ◆ **FoF:** The Total Fund of Funds composite returned -19.5% for the quarter, while matching its own policy benchmark, it underperformed relative to the Growth policy benchmark.

Public Equity Review for PERF - U.S. Equity

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
US Equity Composite (ex ARS)	45.2	-15.5%	0.4%	1.6%	-0.9%	3.6%	12/79
Custom US Equity Benchmark ²⁵		-15.4%	0.2%	1.3%	-0.8%	3.5%	
Value Added		-0.1%	0.2%	0.3%	-0.1%	0.1%	
Total Internal US Equity	38.1	-15.4%	0.5%	1.7%	-0.6%	3.6%	6/88
Custom Internal US Equity Benchmark ²⁶		-15.4%	0.2%	1.3%	-0.8%	3.5%	
Value Added		0.0%	0.3%	0.4%	0.2%	0.1%	
Total External US Equity	6.7	-16.1%	-0.4%	1.2%	-1.8%	3.2%	12/98
Custom External US Equity Benchmark ²⁷		-14.5%	0.2%	1.6%	-0.7%	4.2%	
Value Added		-1.6%	-0.6%	-0.4%	-1.1%	-1.0%	

Public Equity Review for PERF - International Equity

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
Total Int'l Equity (ex ARS)	53.7	-20.0%	-10.5%	1.3%	-1.4%	-.%	12/02
Custom Int'l Equity Benchmark ²⁸		-19.8%	-10.2%	0.1%	-1.9%	-.%	
Value Added		-0.2%	-0.3%	1.2%	0.5%	-.%	
Total Internal Int'l Equity	42.2	-20.3%	-10.4%	1.0%	-1.7%	-.%	3/05
Custom Internal Int'l Equity Benchmark ²⁹		-19.9%	-9.5%	-0.4%	-2.5%	-.%	
Value Added		-0.4%	-0.9%	1.4%	0.8%	-.%	
Total External Int'l Equity	11.2	-18.5%	-10.5%	3.5%	-0.2%	8.0%	6/89
Custom External Int'l Equity Benchmark ³⁰		-19.6%	-12.2%	1.7%	-0.7%	7.8%	
Value Added		1.1%	1.7%	1.8%	0.5%	0.2%	

Public Equity Review for PERF - Corporate Governance/MDP/FoF

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Date</u>
Total Corporate Governance	4.4	-13.1%	0.6%	2.3%	-2.8%	6.3%	12/98
Policy Benchmark		-14.4%	-3.7%	-1.1%	-3.5%	3.8%	
Value Added		1.3%	4.3%	3.4%	0.7%	2.5%	
Total MDP	1.5	-17.2%	-4.1%	-0.4%	-1.2%	4.3%	6/00
Policy Benchmark		-16.9%	-5.1%	0.8%	-0.2%	5.5%	
Value Added		-0.3%	1.0%	-1.2%	-1.0%	-1.2%	
Total FoF	0.7	-19.5%	-2.6%	2.6%	-.%	-.%	3/08
Policy Benchmark		-19.5%	-4.6%	1.9%	-.%	-.%	
Value Added		0.0%	2.0%	0.7%	-.%	-.%	

²⁵ The Custom US Equity Benchmark currently represents the FTSE Total Market Index. It is linked historically to its prior benchmarks.

²⁶ The Custom Internal US Equity Benchmark currently represents the FTSE Total Market Index. It is linked historically to its prior benchmarks.

²⁷ The Custom External US Equity Benchmark return equals the return for each manager's benchmark weighted at the current target asset allocation.

²⁸ The Custom Int'l Equity Benchmark currently represents the FTSE All World ex US Index. It is linked historically to its prior benchmarks.

²⁹ The Custom Internal Int'l Equity Benchmark currently represents the FTSE Developed World ex US/Tobacco Index. This benchmark is linked historically to its prior benchmarks.

³⁰ The Custom External Int'l Equity Benchmark return equals the return for each manager's benchmark weighted at the current target asset allocation.



Absolute Return Strategies Review for PERF Period Ended 9/30/11

ARS Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
ARS	2.4%	0.0%	+2.4%

ARS Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	5-Year Info Ratio ³²	5-Year Up Capture Ratio	5-Year Sharpe Ratio ³³	5-Year Sortino Ratio ³⁴
Absolute Return Strategies	5.3	-1.5%	2.3%	3.3%	2.5%	-0.7	0.3	0.1	0.2
ARS Policy Benchmark ³¹		1.4%	5.6%	6.3%	7.9%				
Value Added		-2.9%	-3.3%	-3.0%	-5.4%				
Total Direct Investments	3.8	-1.2%	3.7%	4.6%	3.2%				
Total Emerging Fund of Hedge Funds	1.5	-2.3%	-0.7%	0.3%	1.2%				
HFRI Fund of Funds Index		-4.4%	-1.4%	0.3%	0.5%				

ARS Characteristics

Rolling Correlations vs. Index

Percentage of positive Months	Beta vs. S&P 500	PERS W5000	Domestic Fixed Index	MSCI AW X US
66%	0.3	0.7	0.3	0.8

- ◆ Beta vs. S&P 500: This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.3 which implies a semi-weak relationship to stock market return, which is appropriate for this program.
- ◆ Correlation vs. various indices: We have calculated the historical correlation between the ARS and CalPERS' other main asset classes. Over a market cycle, the ARS has shown positive correlation to the equity markets while exhibiting a relatively low correlation with fixed income.

³¹ The ARS Policy Benchmark consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

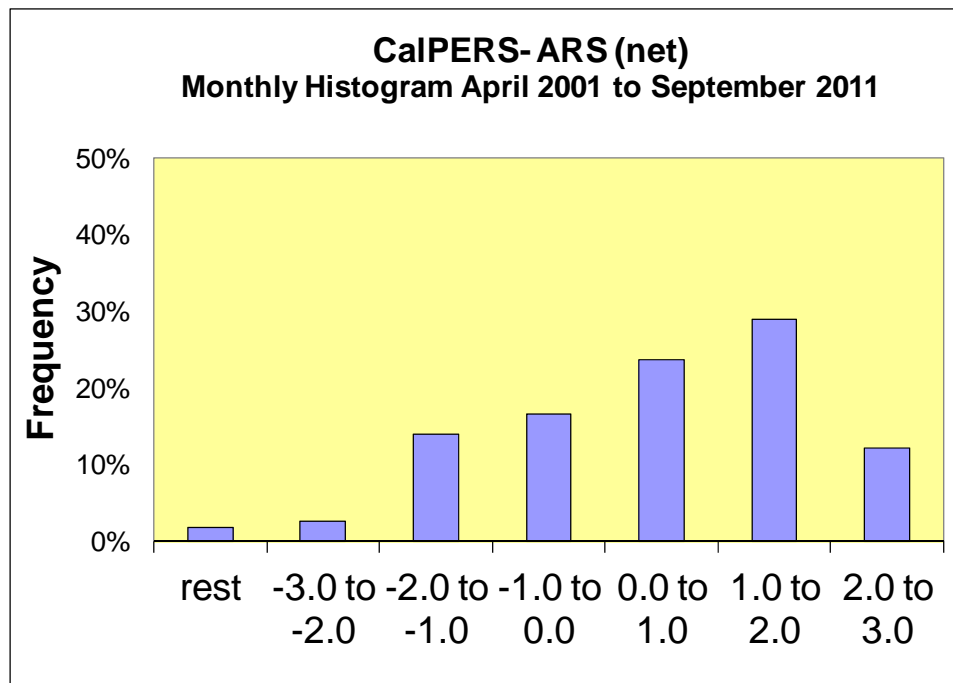
³² The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

³³ The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

³⁴ The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility.



Absolute Return Strategies Review for PERF (Continued) Period Ended 9/30/11



- ◆ Histogram: The ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected.



Income Review for PERF

Periods Ended 9/30/11

Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Income	18.6%	19.0%	-0.4%

Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ³⁸	5-year Sharpe Ratio ³⁹	5-year Info Ratio ⁴⁰
INCOME	40.7	6.5%	8.5%	13.6%	8.8%	7.9%	\$5.2 bil	1.0	0.1
Income Policy Benchmark ³⁵		7.8%	8.8%	11.3%	8.4%	7.3%		1.0	0.0
Value Added		-1.3%	-0.3%	2.3%	0.4%	0.6%			
U.S. Income	37.1	7.0%	8.8%	14.0%	8.8%	7.7%		1.0	0.1
U.S. Income Policy Benchmark ³⁶		8.4%	9.2%	11.6%	8.3%	7.2%		1.0	0.0
Value Added		-1.4%	-0.4%	2.4%	0.5%	0.5%			
Non-U.S. Income	3.6	1.5%	5.8%	10.8%	8.9%	8.7%		0.7	0.6
Non-US Income Policy Benchmark ³⁷		1.0%	4.4%	8.3%	7.8%	8.0%		0.6	0.0
Value Added		0.5%	1.4%	2.5%	1.1%	0.7%			

Comments Regarding Income Segment Performance

Helped Performance:

- ◆ **Treasury Bonds:** Treasuries posted strong gains during the third quarter (+15.6%) and outperformed the U.S. income policy benchmark as well as the overall income asset class policy benchmark. A spike in flight-to-quality took place towards the end of the third quarter, driven by a host of macro events, including growing concerns of European debt crisis contagion and fears of increasing likelihood of double-dipping recession among major developed economies.

Impeded Performance:

- ◆ **Corporate Bonds:** CalPERS' corporate bonds portfolio generated a solid gain of 4.0% for the quarter, but underperformed relative to the 7.8% return of the overall income policy benchmark.

³⁵ The Income Policy Benchmark return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

³⁶ The US Fixed Income Policy Benchmark consists of the Barclays Long Liability Index and is linked historically to its prior benchmark.

³⁷ The Non-US Fixed Income Policy Benchmark consists of the Barclays International Fixed Income and is linked historically to its prior benchmark.

³⁸ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

³⁹ The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁴⁰ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

- ◆ **Long Duration Bonds:** Driven by continued near-zero yields offered by short-term bonds, investors are seeking higher yield in longer-term paper and as a result the long duration bond portfolio posted another solid quarter return of 2.9%. However, this result could not match the Treasury's performance and it also trailed the overall income policy benchmark.
- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio reported a return of 2.2% that trailed the overall income policy benchmark for the quarter.
- ◆ **High Yield Bonds:** CalPERS' high yield bond portfolios were the worst performing fixed income investments for the quarter, with a combined return of -5.3%. Investors continued to rotate out of the high yield sector in the face of worsening European debt crisis and the dimming prospect of corporate earnings growth.
- ◆ **International Fixed Income:** The System's external international bond segment generated a positive third quarter return of 1.5% but trailed the income policy benchmark.



Income Review for PERF (Continued)

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	Date
INCOME	40.7	6.5%	8.5%	13.6%	8.8%	7.9%	6/88
<i>Income Policy Benchmark</i> ⁴¹		7.8%	8.8%	11.3%	8.4%	7.3%	
<i>Value Added</i>		-1.3%	-0.3%	2.3%	0.4%	0.6%	
Internal US Income + Opportunistic	37.1	7.0%	8.8%	14.0%	8.8%	7.7%	12/95
Mortgage Bonds*	9.2	2.2%	5.7%	8.5%	6.7%	5.8%	12/82
Long Duration Mortgages*	2.2	2.9%	7.4%	14.1%	9.0%	-.%	6/05
Corporate Bonds*	8.8	4.0%	6.4%	16.8%	8.1%	-.%	3/02
U.S. Government*	14.8	15.6%	13.8%	10.6%	9.3%	7.2%	12/99
Sovereign Bonds* ⁴²	0.9	4.0%	4.2%	9.5%	7.8%	8.5%	6/96
Duration/SEC Allocation*	0.1	2.9%	10.4%	21.8%	9.1%	-.%	9/05
<i>Custom Benchmark</i> ⁴³		8.4%	9.2%	11.6%	8.3%	7.2%	
Opportunistic ⁴⁴	2.2	-5.3%	2.5%	12.2%	2.8%	10.1%	6/00
Internal High Yield Bonds*	0.7	-4.9%	-1.5%	15.2%	11.7%	14.5%	9/99
External High Yield*	1.0	-5.8%	5.7%	5.5%	2.9%	-.%	3/02
<i>Citigroup High Yield Cash Pay</i>		-5.6%	2.3%	12.6%	6.7%	8.6%	
Special Investments	0.5	2.0%	-4.7%	4.7%	5.0%	5.4%	3/91
External International Income	3.6	1.5%	5.8%	10.8%	8.9%	8.7%	3/89
<i>Custom Benchmark</i> ⁴⁵		1.0%	4.4%	8.3%	7.8%	8.0%	
<i>Value Added</i>		0.5%	1.4%	2.5%	1.1%	0.7%	
Currency overlay ⁴⁶							
Pareto	0.1	-1.2%	-1.8%	-1.1%	-0.1%	0.8%	6/02
<i>Custom Benchmark</i>		-0.2%	-0.6%	-0.2%	0.2%	0.1%	
<i>Value Added</i>		-1.0%	-1.2%	-0.9%	-0.3%	0.7%	
SSgA	0.1	-0.4%	0.5%	0.7%	0.9%	0.7%	12/96
<i>Custom Benchmark</i>		-0.2%	-0.6%	-0.2%	0.2%	0.1%	
<i>Value Added</i>		-0.2%	1.1%	0.9%	0.7%	0.6%	

⁴¹ The Income Policy Benchmark return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁴² The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

⁴³ The custom benchmark consists of the Barclays Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

⁴⁴ Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

⁴⁵ The custom benchmark consists of the Barclays International Fixed Income Index and is linked historically to its prior benchmark.

⁴⁶ The Currency Overlay program is rolled directly into total fund but it is managed by the fixed income managers. The market value is the gain or loss.

* These portfolios and/or composites are unitized and are included across multiple plans.

** These portfolios hold the collateral for the security lending program.

Income Review for PERF (Continued)

	<u>Market</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Date</u>
Securities Lending*	12.2	0.0%	2.0%	1.1%	1.7%	2.1%	8/00
Custom Benchmark		0.0%	0.1%	0.2%	1.7%	2.0%	
Value Added		0.0%	1.9%	0.9%	0.0%	0.1%	
High Quality LIBOR**	1.9	0.1%	0.5%	0.4%	1.4%	2.0%	9/00
Custom Benchmark		0.0%	0.1%	0.2%	1.7%	2.0%	
Value Added		0.1%	0.4%	0.2%	-0.3%	0.0%	
Short Duration LIBOR**	1.2	0.2%	3.4%	4.2%	2.5%	-.-%	9/02
Custom Benchmark		0.0%	0.1%	0.2%	1.7%	-.-%	
Value Added		0.2%	3.3%	4.0%	0.8%	-.-%	
Sec Lending Internal Collateral Reinvest**	0.4	0.0%	1.0%	-.-%	-.-%	-.-%	9/09
Custom Benchmark		0.0%	0.1%	-.-%	-.-%	-.-%	
Value Added		0.0%	0.9%	-.-%	-.-%	-.-%	
Internal Active Short Term**	0.4	0.0%	-.-%	-.-%	-.-%	-.-%	3/11
Custom Benchmark		0.0%	-.-%	-.-%	-.-%	-.-%	
Value Added		0.0%	-.-%	-.-%	-.-%	-.-%	
CalPERS ESEC Cash Collateral**	8.0	0.1%	0.3%	-.-%	-.-%	-.-%	6/10
Custom Benchmark		0.0%	0.1%	-.-%	-.-%	-.-%	
Value Added		0.1%	0.2%	-.-%	-.-%	-.-%	

* The Securities Lending composite is a non-PERF composite. The composite includes the Structure Investment Vehicles performance.

** These portfolios hold the collateral for the securities lending program.



Inflation Performance for PERF Period Ended 9/30/11

Inflation Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Inflation	3.2%	3.0%	+0.2%

Inflation Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁴⁹	5-year Sharpe Ratio ⁵⁰	5-year Info Ratio ⁵¹
INFLATION	7.0	-2.7%	10.9%	0.3%	-.%	-.%	\$0.6 bil	N/A	N/A
<i>Inflation Policy Benchmark</i> ⁴⁷		-1.6%	6.9%	1.4%	-.%	-.%		N/A	N/A
<i>Value Added</i>		-1.1%	4.0%	-1.1%	-.%	-.%			
Commodities ⁴⁸	2.2	-12.2%	3.0%	-14.9%	-.%	-.%			
<i>GSCI Total Return Index</i>		-11.7%	2.9%	-15.9%	-.%	-.%			
<i>Value Added</i>		-0.5%	0.1%	1.0%	-.%	-.%			
Inflation Linked Bonds	4.8	2.3%	8.7%	7.2%	-.%	-.%			
<i>Custom Benchmark</i>		1.9%	7.8%	6.9%	-.%	-.%			
<i>Value Added</i>		0.4%	0.9%	0.3%	-.%	-.%			

- ◆ CalPERS' inflation asset class underperformed its policy benchmark for the quarter. While the inflation linked fixed income portfolio fared well during the quarter, the commodities portfolio experienced a sharp decline and was the detractor that weighed on the inflation asset class' overall performance. Inflation's one-year track record is still ahead of its policy benchmark by a wide margin, but it continues to trail over the three-year period.

⁴⁷ The Inflation Policy Benchmark equals the benchmark returns of commodities and TIPS weighted at policy allocation target percentages.

⁴⁸ The commodities overlay portfolio is a derivatives portfolio which has no market value but a notional value approximately equal to the size of the commodities collateral.

⁴⁹ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

⁵⁰ The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁵¹ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

Real Assets Review for PERF Period Ended 6/30/11

Real Assets Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Assets	10.1%	10.0%	+0.1%

Real Assets Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁵⁶	5-year Sharpe Ratio ⁵⁷	5-year Info Ratio ⁵⁸
REAL ASSETS	22.1	2.4%	12.9%	-17.2%	-10.8%	3.0%	\$2.5 bil	-0.8	-1.2
<i>Real Assets Policy Benchmark</i> ⁵²		2.3%	15.4%	0.0%	5.4%	9.7%		0.5	0.0
<i>Value Added</i>		0.1%	-2.5%	-17.2%	-16.2%	-6.7%			
Real Estate ⁵³	19.1	2.6%	14.1%	-19.4%	-12.5%	1.9%	\$2.7 bil	-0.8	-1.2
<i>Real Estate Policy Benchmark</i> ⁵⁴		2.7%	16.9%	0.1%	5.0%	8.4%		0.4	0.0
<i>Value Added</i>		-0.1%	-2.8%	-19.5%	-17.5%	-6.5%			
<i>TUCS Real Estate Median</i>		2.0%	15.1%	-5.3%	-1.3%	6.4%			
Forestland ⁵⁵	2.3	0.3%	-2.4%	-0.2%	-.%	-.%			
<i>NCREIF Timberland Index</i>		0.7%	8.1%	5.9%	-.%	-.%			
<i>Value Added</i>		-0.4%	-10.5%	-6.1%	-.%	-.%			
Infrastructure ⁵⁵	0.7	16.1%	66.4%	26.3%	-.%	-.%			
<i>CPI + 400 BPS 1Qtr Lag</i>		1.2%	8.7%	6.1%	-.%	-.%			
<i>Value Added</i>		14.9%	57.7%	20.2%	-.%	-.%			

- ◆ CalPERS' real assets composite generated a total return of 2.4% during the third quarter and was slightly ahead of its policy benchmark. The System's real estate portfolios, which includes public as well as private real estate investments and currently represent 86% of the real assets composite, returned 2.6% and nearly matched its policy benchmark. The real assets composite also received a small boost from its infrastructure portfolio, which finished the third quarter strong (on both absolute and relative basis) with a return of 16.1%. Over the three-year and longer periods, however, the real assets composite's performance has continued to lag behind its policy benchmark.

⁵² The Real Assets Policy Benchmark equals the benchmark returns of real estate, timber, and infrastructure weighted at policy allocation target percentages.

⁵³ The Real Estate performance is reported on a 1-quarter lagged basis. The Real Estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁵⁴ The Real Estate Policy Benchmark consists of the NCREIF ODCE Index and the FTSE EPRA/NAREIT Developed Index weighted at their policy allocation target percentages. It is historically linked to its prior benchmarks.

⁵⁵ These investments are reported on a 1-quarter lagged basis.

⁵⁶ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

⁵⁷ The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁵⁸ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.



Real Assets Review for PERF (Continued)

Period Ended 9/30/11

Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁶¹	5-year Sharpe Ratio ⁶²	5-year Info Ratio ⁶³
Real Estate ⁵⁹	19.1	2.6%	14.1%	-19.4%	-12.5%	1.9%	\$2.7 bil	-0.8	-1.2
<i>Real Estate Policy Benchmark</i> ⁶⁰		2.7%	16.9%	0.1%	5.0%	8.4%		0.4	0.0
<i>Value Added</i>		-0.1%	-2.8%	-19.5%	-17.5%	-6.5%			
<i>TUCS Real Estate Median</i>		2.0%	15.1%	-5.3%	-1.3%	6.4%			
Core Real Estate Ex-Public REITS	6.4	1.5%	29.9%	-16.5%	-5.8%	6.0%			
<i>NCREIF Property 1 Qtr Lagged</i>		3.9%	16.7%	-2.6%	3.4%	7.6%			
<i>Value Added</i>		-2.4%	13.2%	-13.9%	-9.2%	-1.6%			
Value Added	1.8	28.4%	-.%	-.%	-.%	-.%			
<i>NPI 1 Qtr Lagged + 200BPS</i>		4.4%	-.%	-.%	-.%	-.%			
<i>Value Added</i>		24.0%	-.%	-.%	-.%	-.%			
Opportunistic	9.6	3.4%	6.5%	-23.2%	-19.4%	-3.4%			
<i>NPI 1 Qtr Lagged + 400BPS</i>		4.9%	21.3%	1.3%	7.6%	11.9%			
<i>Value Added</i>		-1.5%	-14.8%	-24.5%	-27.0%	-15.3%			
Public REITS	1.1	-17.3%	-6.9%	-0.2%	-5.1%	-.%			
<i>FTSE EPRA/NAREIT DE Index</i>		-17.3%	-6.9%	-0.4%	-4.1%	-.%			
<i>Value Added</i>		0.0%	0.0%	0.2%	-1.0%	-.%			

⁵⁹ The Real Estate performance is reported on a 1-quarter lagged basis. The Real Estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁶⁰ The Real Estate Policy Benchmark consists of the NCREIF ODCE Index and the FTSE EPRA/NAREIT Developed Index weighted at their policy allocation target percentages. It is historically linked to its prior benchmarks.

⁶¹ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

⁶² The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁶³ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.



Liquidity Review for PERF

Period Ended 9/30/11

Liquidity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Liquidity	3.9%	4.0%	-0.1%

Liquidity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁶⁶	5-year Sharpe Ratio ⁶⁷	5-year Info Ratio ⁶⁸
LIQUIDITY	8.6	3.1%	3.0%	1.4%	2.6%	2.6%	N/A	N/A	N/A
Liquidity Policy Benchmark ⁶⁴		3.5%	3.6%	1.6%	2.7%	2.5%			
Value Added		-0.4%	-0.6%	-0.2%	-0.1%	0.1%			
US 2-10 Year	6.2	4.5%	-.-%	-.-%	-.-%	-.-%			
Barclays Gov Liquidity 2-10 Yr Idx		4.6%	-.-%	-.-%	-.-%	-.-%			
Value Added		-0.1%	-.-%	-.-%	-.-%	-.-%			
Cash Composite	2.4	0.0%	0.2%	0.5%	2.1%	2.3%			
Cutom STIF ⁶⁵		0.0%	0.2%	0.4%	2.0%	2.2%			
Value Added		0.0%	0.0%	0.1%	0.1%	0.1%			

⁶⁴The Liquidity Policy Benchmark is a custom index maintained by State Street Bank.

⁶⁵The Custom STIF Policy Benchmark is a custom index maintained by State Street Bank.

⁶⁶VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value.

⁶⁷The Sharpe Ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

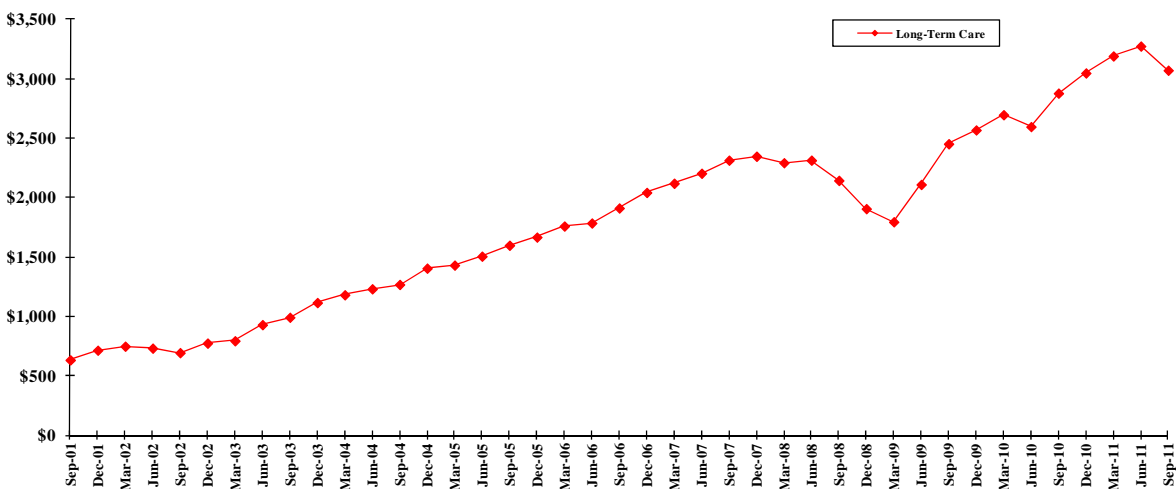
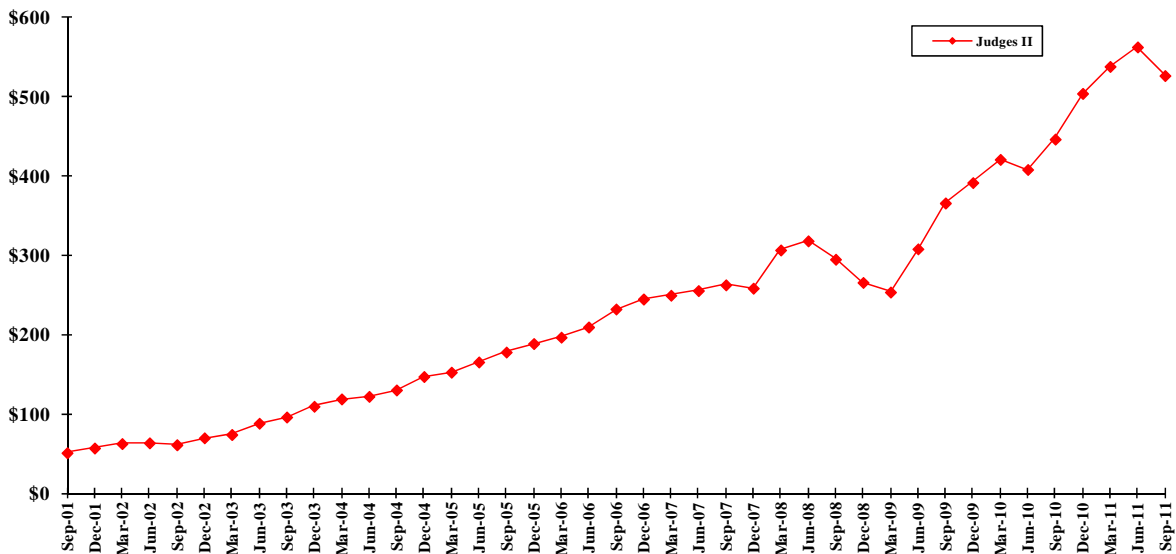
⁶⁸The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured.

Affiliate Fund Information



Affiliate Fund Performance Period Ended September 30, 2011

Growth in Assets (in \$Millions)





Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2011

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II	\$527.2 mil	-9.2%	0.1%	4.3%	1.6%	5.0%
<i>Weighted Policy Benchmark</i> ⁶⁹		-8.6	0.5	4.1	1.9	5.1
Long-Term Care ("LTC")	\$3,072.6 mil	-7.1	2.2	6.4	3.1	5.5
<i>Weighted Policy Benchmark</i> ⁶⁹		-6.9	2.0	5.8	3.1	5.4
<i>TUCS Public Fund Median</i> ⁷⁰		-8.9	1.3	4.2	2.2	5.5

Total Fund Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights*

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
Global Equity	62.8	63.0	-0.2
US Fixed Income	20.2	20.0	0.2
TIPS	6.1	6.0	0.1
REITs	7.9	8.0	-0.1
Commodities	3.0	3.0	0.0
Total	100.0	100.0	0.0

LTC Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation (%)	Difference
US Equity	24.7	25.0	-0.3
Int'l Equity	18.9	19.0	-0.1
US Fixed Income	32.0	30.0	2.0
High Yield	8.4	10.0	-1.6
TIPS	11.1	11.0	0.1
REITs	4.9	5.0	-0.1
Total	100.0	100.0	0.0

⁶⁹ The weighted policy benchmark returns for Judges II and LTC are based on asset class index returns weighted by asset class policy targets.

⁷⁰ The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.

* The target asset allocation weights shown for Judges II and LTC are as of 10/1/2011. The LTC targets are interim targets and will continue to shift over the next few quarters as the Program transitions towards its final target.



Commentary – Total Fund

- ◆ For the quarter ended September 30, 2011, the Judges II (JRS II) generated a total return of -9.2% and modestly trailed its weighted policy benchmark's return of -8.6%. The Plan's long-term performance matched well against its policy benchmark and has outperformed over the three-year mark.
- ◆ The Long-Term Care Program (LTC) generated a third quarter return of -7.1% and nearly matched its weighted policy benchmark's return of -6.9%. The LTC's longer term record has also done well, outpacing its policy benchmark in nearly all measured periods.
- ◆ At the end of the quarter, Judges II was overweight in U.S. fixed income and TIPS while underweight in global equity and REITs.
- ◆ The LTC was overweight in U.S. fixed income and TIPS while underweight in equities, high yield and REITs.

Asset Class Performance Results – Judges II

Judges II Asset Class Performance Periods Ended September 30, 2011

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
JRS II Global Equity	\$331.0 mil	-17.4%	-4.4%	0.1%	-2.0%	3.6%
<i>Global Equity Benchmark</i> ⁷¹		-17.4	-4.4	0.1	-2.0	3.6
JRS II US Fixed Income	\$106.4 mil	7.1	9.0	13.6	8.5	6.8
<i>Custom Benchmark</i> ⁷²		8.4	9.2	11.6	8.3	6.4
JRS II TIPS	\$32.4 mil	-.	-.	-.	-.	-.
<i>Custom Benchmark</i> ⁷³		-.	-.	-.	-.	-.
JRS II REITs	\$41.5 mil	-17.3	-6.9	-8.5	-6.8	-.
<i>Custom Benchmark</i> ⁷⁴		-17.3	-6.9	-9.1	-7.4	-.
JRS II Commodities	\$15.9 mil	-.	-.	-.	-.	-.
<i>GSCI Total Return Index</i>		-.	-.	-.	-.	-.

⁷¹ The JRS II Global Equity Benchmark is a custom global benchmark maintained by FTSE starting on 9/8/2011. Prior of that it is calculated as an asset weighted benchmark of its underlying domestic and international funds.

⁷² The current US Fixed Income Custom Benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

⁷³ The TIPS benchmark is the Barclays U.S. TIPS Index.

⁷⁴ The REIT Custom Benchmark is the FTSE EPRA/NAREIT Developed Index. Historically, it has been the Wilshire RESI and REIT Indices.

Commentary – Judges II

- ◆ JRS II's global equity portfolio generated a return of -17.4% during the third quarter and matched its custom benchmark. Over the one-year and longer periods, the portfolio continues to track very closely to its custom benchmark.
- ◆ The Judges II's US fixed income portfolio produced a solid return of 7.1% for the quarter, but fell behind its custom benchmark, the Barclays Long Liability Index, which was up 8.4%. Over the long-term, though, the fixed income portfolio's track record has outperformed relative to the benchmark.
- ◆ Similar to global equity, JRS II's REIT portfolio produced a third quarter return of -17.3% and mirrored its custom benchmark, currently the FTSE EPRA/NAREIT Developed Index. The REIT portfolio also matched its benchmark over the one-year mark, and continued to outperform over the long-term.
- ◆ Judges II adopted a new asset allocation policy during the third quarter that introduced two additional asset classes, TIPS and commodities. The Plan completed the transitioning process at the end of September and will begin reporting performance on these new investments in the fourth quarter.



Asset Class Performance Results – Long-Term Care

Long-Term Care Asset Class Performance Periods Ended September 30, 2011

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LTC US Equity	\$759.6 mil	-14.1%	0.8%	1.0%	-1.4%	2.7%
<i>Custom Benchmark ⁷⁵</i>		-14.1	0.8	1.0	-1.5	2.6
LTC Int'l Equity	\$581.8 mil	-19.8	-9.3	-0.3	-2.4	5.7
<i>Custom Benchmark ⁷⁶</i>		-19.9	-9.5	-0.4	-2.5	5.6
LTC US Fixed Income	\$983.2 mil	7.1	9.0	13.6	8.5	7.0
<i>Custom Benchmark ⁷⁷</i>		8.4	9.2	11.6	8.3	6.4
LTC II High Yield	\$257.3 mil	-6.3	3.1	13.0	6.8	-.
<i>Barclays Long Liability High Yield Index</i>		-5.6	2.3	12.6	6.7	-.
LTC TIPS	\$339.8 mil	4.5	9.8	8.5	7.1	-.
<i>Barclays U.S. TIPS Index</i>		4.5	9.9	8.1	7.0	-.
LTC REITs	\$150.8 mil	-17.3	-6.9	-8.6	-7.2	-.
<i>Custom Benchmark ⁷⁸</i>		-17.3	-6.9	-9.1	-7.4	-.

Commentary – Long-Term Care

- ◆ The LTC US equity fund, which is invested in the Custom S&P 500 ex-Tobacco Index Fund, was down -14.1% for the quarter, matching its custom benchmark. The US equity fund has continued to track very closely to the S&P 500 ex-Tobacco Index over longer-term periods.
- ◆ The LTC international equity fund was the lowest returning portfolio out of the entire program during the third quarter, returning -19.8% and mirrored its custom benchmark, the FTSE Developed World ex-US & Tobacco Index. Over the long term, the fund continues to track closely to the benchmark.

⁷⁵ The LTC US Equity Custom Benchmark is a custom tobacco-free S&P 500 since February 2001 performance. Prior of that the benchmark was the S&P 500 Index.

⁷⁶ Effective October 1, 2006, the LTC Int'l Custom Benchmark is the FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was the MSCI EAFE Index (Net).

⁷⁷ The LTC US Fixed Income Custom Benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS ex High Yield was the benchmark between June 2007 and July 2005. Prior of that the benchmark was the Barclays Aggregate Bond Index.

⁷⁸ The REIT Custom Benchmark is the FTSE EPRA/NAREIT Developed Index. Historically, it has been the Wilshire RESI and REIT Indices.

Commentary – Long-Term Care

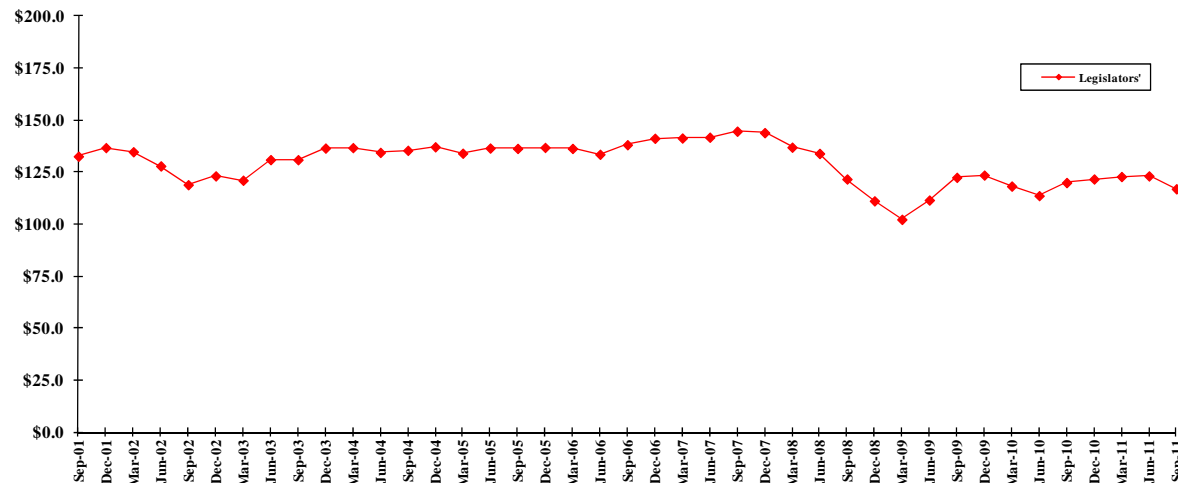
- ◆ The LTC US fixed income portfolio produced the highest return of 7.1% for the quarter, but fell behind its custom benchmark, the Barclays Long Liability Index, which was up 8.4%. Over the long-term, though, the fixed income portfolio's track record has fared well relative to the benchmark.
- ◆ LTC's high yield portfolio posted a decline of -6.3% and underperformed the Barclays Long Liability High Yield Index's return of -5.6%. The high yield portfolio has outperformed its benchmark for the one-year and all longer-term periods.
- ◆ The LTC TIPS portfolio mirrored its custom benchmark, currently the Barclays U.S. TIPS Index, for the quarter with a return of 4.5%. The TIPS portfolio is performing in line with expectations and has added value over the three-year and five-year periods.
- ◆ The REIT portfolio reported the second lowest performance among LTC's investments this quarter, at -17.3%, although it did match its custom benchmark, currently the FTSE EPRA/NAREIT Developed Index. The REIT portfolio has also matched its benchmark over the one-year mark, and continues to do well relatively over the long-term.
- ◆ The Long-Term Care Program is currently in the process of transitioning towards a different asset allocation mix. The process was initiated in September and is expected to be completed in spring of 2012.

Legislators' Information



California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2011

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS	\$117.0 mil	-3.3%	4.4%	8.3%	4.6%	5.8%
<i>Weighted Policy Benchmark</i> ⁷⁹		-2.6	4.6	7.2	4.5	6.0
<i>TUCS Public Fund Median</i> ⁸⁰		-8.9	1.3	4.2	2.2	5.5

Asset Allocation

Asset Class	Actual	Policy	Difference
Global Equity	31.4%	32.0%	-0.6%
US Fixed Income	42.4	42.0	+0.4
TIPS	15.1	15.0	+0.1
REITs	8.0	8.0	0.0
Commodities	<u>3.0</u>	<u>3.0</u>	<u>0.0</u>
	100.0	100.0	0.0

⁷⁹ The weighted policy benchmark returns are calculated based on asset class index returns weighted by asset class policy targets.

⁸⁰ The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.



Commentary

- ◆ The California Legislators' Retirement System ("LRS, the System") generated an overall return of -3.3% for the third quarter of 2011 and modestly trailed its weighted policy benchmark, which returned -2.6%. The System's long-term track record compared favorably to its policy benchmark over the three- and five-year marks. Relative to the TUCS Public Fund Median, the LRS' portfolio outperformed for the quarter and has also done so for the one-, three-, five-, and ten-year periods.
- ◆ As of September 30, the System was slightly overweight in U.S. fixed income and TIPS while underweight in global equity.

Asset Classes Performance Results

Asset Class Performance Periods Ended September 30, 2011

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS Global Equity	\$36.8 mil	-16.8%	-3.3%	0.2%	-1.9%	3.3%
<i>Global Equity Benchmark ⁸¹</i>		-16.8	-3.3	0.2	-1.9	3.3
LRS US Fixed Income	\$49.7 mil	7.1	9.1	13.6	8.5	6.9
<i>Custom Benchmark ⁸²</i>		8.4	9.2	11.6	8.4	7.2
LRS TIPS	\$17.7 mil	4.5	9.8	8.5	7.1	-.-
<i>Custom Benchmark ⁸³</i>		4.5	9.9	8.1	7.0	-.-
LRS REITs	\$9.4 mil	-.-	-.-	-.-	-.-	-.-
<i>Custom Benchmark ⁸⁴</i>		-.-	-.-	-.-	-.-	-.-
LRS Commodities	\$3.5 mil	-.-	-.-	-.-	-.-	-.-
<i>GSCI Total Return Index</i>		-.-	-.-	-.-	-.-	-.-

⁸¹ The LRS Global Equity Benchmark is a custom global benchmark maintained by FTSE starting on 9/8/2011. Prior of that it is calculated as an asset weighted benchmark of its underlying domestic and international funds.

⁸² The current benchmark is the Barclays Long Liability Index. Barclays Long Liability ex TIPS was used as the benchmark between June 2005 and May 2007. Prior of that the benchmark was Citigroup LPF.

⁸³ The current benchmark is the Barclays U.S. TIPS Index. Prior of July 2007 the benchmark was the Barclays Long Liability TIPS Index.

⁸⁴ The REIT Custom Benchmark is the FTSE EPRA/NAREIT Developed Index.

Commentary

- ◆ The System's global equity portfolio generated a return of -16.8% during the third quarter and matched its custom benchmark. Over the one-year and longer periods, the portfolio continues to track very closely to its custom benchmark.
- ◆ LRS's US fixed income portfolio produced a solid return of 7.1% for the quarter, but fell behind its custom benchmark, the Barclays Long Liability Index, which was up 8.4%. Over the long-term, though, the fixed income portfolio's track record has fared well relative to the benchmark.
- ◆ The LRS TIPS portfolio mirrored its custom benchmark, currently the Barclays U.S. TIPS Index, for the quarter with a return of 4.5%. The TIPS portfolio is performing in line with expectations and has added value over the three-year and five-year periods.
- ◆ The Legislators' Retirement System adopted a new asset allocation policy during the third quarter that introduced two new asset classes, REITs and commodities. The System just completed the transitioning process at the end of September and will begin reporting performance on these new investments in the fourth quarter.

California Employers' Retiree Benefit Trust

California Employers' Retiree Benefit Trust Strategy 1

Asset Allocation

Asset Class	Actual	Policy*	Difference
US Equity	34.8%	35.0%	-0.2%
International Equity	31.0	31.0	0.0
US Bonds	17.3	18.0	-0.7
High Yield	4.9	6.0	-1.1
TIPS	1.9	0.0	+1.9
REITS	9.8	10.0	-0.2
Cash Equivalents	<u>0.2</u>	<u>0.0</u>	<u>+0.2</u>
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2011

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Total Fund	\$1,681.1 mil	-11.6%	-0.9%	3.1%	-.-%	-.-%
<i>Benchmark</i>		-11.4	-1.0	3.1	-.-%	-.-%
Domestic Equity	584.6 mil	-14.1	0.8	1.0	-.-%	-.-%
<i>Benchmark</i>		-14.1	0.8	1.0	-.-%	-.-%
International Equity	521.1 mil	-19.8	-9.3	-0.4	-.-%	-.-%
<i>Benchmark</i>		-19.9	-9.5	-0.4	-.-%	-.-%
REITS	165.5 mil	-17.3	-6.9	-8.3	-.-%	-.-%
<i>Benchmark</i>		-17.3	-6.9	-9.1	-.-%	-.-%
Fixed Income	291.3 mil	7.1	9.1	13.6	-.-%	-.-%
<i>Benchmark</i>		8.4	9.2	11.6	-.-%	-.-%
High Yield	83.1 mil	-6.3	3.1	13.0	-.-%	-.-%
<i>Benchmark</i>		-5.6	2.3	12.6	-.-%	-.-%
TIPS	32.5 mil	-.-%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		-.-%	-.-%	-.-%	-.-%	-.-%
Cash	3.0 mil	0.0	0.2	0.4	-.-%	-.-%

* The policy asset allocation targets shown are interim targets as of 10/1/2011. The CERBT Strategy 1 is currently transitioning towards a different asset allocation mix. The process was initiated in September and is expected to be completed in spring of 2012.

California Employers' Retiree Benefit Trust Strategy 2

Asset Allocation

Asset Class	Actual	Policy*	Difference
US Equity	19.6%	20.0%	-0.4%
International Equity	28.8	30.0	-1.2
US Bonds	24.3	24.0	+0.3
TIPS	15.1	15.0	+0.1
REITS	8.1	8.0	+0.1
Commodities	3.0	3.0	0.0
Cash Equivalents	<u>1.1</u>	<u>0.0</u>	<u>+1.1</u>
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2011

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Total Fund	\$0.496 mil	--	--	--	--%	--%
<i>Benchmark</i>		--	--	--	--%	--%
Domestic Equity	0.097 mil	--	--	--	--	--
<i>Benchmark</i>		--	--	--	--	--
International Equity	0.143 mil	--	--	--	--	--
<i>Benchmark</i>		--	--	--	--	--
REITS	0.040 mil	--	--	--	--	--
<i>Benchmark</i>		--	--	--	--	--
Fixed Income	0.121 mil	--	--	--	--	--
<i>Benchmark</i>		--	--	--	--	--
TIPS	0.075 mil	--	--	--	--	--
<i>Benchmark</i>		--	--	--	--	--
Commodities	0.015 mil	--	--	--	--	--
<i>Benchmark</i>		--	--	--	--	--
Cash	0.005 mil	--	--	--	--	--

* The policy asset allocation targets shown are interim targets as of 10/1/2011. The CERBT Strategy 2 is currently transitioning towards a different asset allocation mix. The process was initiated in September and is expected to be completed in spring of 2012.



Health Care Bond Fund

Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2011

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Health Care Bond Fund	\$466.4 mil	2.6%	5.2%	8.3%	-.-%	-.-%
<i>Benchmark</i>		3.8	5.3	8.0	-.-	-.-

Supplemental Income Plans



Supplemental Income Plan Performance

Net Fund Performance Results – Supplemental Contribution Plan

Periods Ended September 30, 2011

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
CalPERS International Index	\$269.7 thous	-19.8	-9.4	-0.5	-.-
<i>FTSE Dev. World Index Ex-US</i>		-19.6	-9.0	-0.1	-.-
CalPERS Small/Mid Equity Index	\$305.4 thous	-21.1	-2.2	2.2	-.-
<i>Russell 2500</i>		-21.2	-2.2	2.3	-.-
CalPERS Target 2010	\$98.8 thous	-7.5	1.3	-.-	-.-
<i>SIP 2010 Index</i>		-6.7	2.0	-.-	-.-
CalPERS Target 2015	\$12.0 thous	-9.3	0.3	-.-	-.-
<i>SIP 2015 Index</i>		-8.4	1.2	-.-	-.-
CalPERS Target 2020	\$69.5 thous	-10.9	-0.5	-.-	-.-
<i>SIP 2020 Index</i>		-10.0	0.4	-.-	-.-
CalPERS Target 2025	\$54.4 thous	-13.2	-1.8	-.-	-.-
<i>SIP 2020 Index</i>		-12.1	-0.7	-.-	-.-
CalPERS Target 2030	\$0.3 thous	-14.7	-2.7	-.-	-.-
<i>SIP 2030 Index</i>		-13.6	-1.5	-.-	-.-
CalPERS Target 2035	\$7.2 thous	-16.3	-.-	-.-	-.-
<i>SIP 2035 Index</i>		-15.2	-.-	-.-	-.-
CalPERS Target 2040	\$42.9 thous	-16.8	-3.9	-.-	-.-
<i>SIP 2040 Index</i>		-15.6	-2.6	-.-	-.-
CalPERS Target 2045	\$33.8 thous	-16.8	-.-	-.-	-.-
<i>SIP 2045 Policy</i>		-15.6	-.-	-.-	-.-
CalPERS Total Return Bond Fund	\$189.1 thous	2.6	4.9	8.0	-.-
<i>Barclays Aggregate Bond Index</i>		3.8	5.3	8.0	-.-
CalPERS Target Income	\$94.9 thous	-4.3	2.5	-.-	-.-
<i>SIP Income Policy</i>		-3.4	3.1	-.-	-.-
CalPERS TIPS Securities	\$444.6 thous	4.4	9.4	8.2	-.-
<i>Barclays U.S. TIP Index</i>		4.5	9.9	8.1	-.-
PIMCO Short Term Bond Fund	\$10.8 thous	-0.8	-.-	-.-	-.-
<i>CalPERS ML 6-month T-Bill</i>		0.1	-.-	-.-	-.-

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	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>
CalPERS Aggressive Asset Allocation Fund	\$54.7 thous	-16.8	-3.9	-.	-.
<i>SIP Aggressive Policy</i>		-15.6	-2.6	-.	-.
CalPERS Moderate Asset Allocation Fund	\$13.7 mil	-11.1	-0.6	-.	-.
<i>SIP Moderate Policy</i>		-10.2	0.3	-.	-.
CalPERS Conservative Asset Allocation	\$269.2 thous	-4.3	2.4	-.	-.
<i>SIP Conservative Policy</i>		-3.4	3.1	-.	-.
CalPERS S&P 500 Equity Index	\$662.4 thous	-13.9	1.1	1.3	-.
<i>S&P 500 Index</i>		-13.9	1.1	1.2	-.
AllianceBernstein Large Cap Value	\$8.3 thous	-19.5	-5.8	0.3	-.
<i>Russell 1000 Value</i>		-16.2	-1.9	-1.5	-.
Pyramis Select International	\$18.6 thous	-20.2	-8.7	-.	-.
<i>CalPERS FTSE Dev World x-US</i>		-19.6	-9.0	-.	-.
Turner Large Cap Growth	\$41.9 thous	-16.2	-0.7	1.1	-.
<i>Russell 1000 Growth</i>		-13.1	3.8	4.7	-.
The Boston Company SMID Growth	\$2.9 thous	-16.8	-.	-.	-.
<i>Russell 2500 Growth</i>		-21.4	-.	-.	-.
The Boston Company SMID Value	\$2.5 thous	-.	-.	-.	-.
<i>Russell 2500 Value</i>		-.	-.	-.	-.
SSgA STIF	\$876.8 thous	0.0	0.0	-.	-.
<i>BofAML 3-month US T-Bill</i>		0.0	0.1	-.	-.
SCP Aggregate	\$17.3 mil	-10.6	-0.4	4.3	-.
<i>CalPERS Custom SCP Plan</i>		-9.8	0.4	5.6	-.

Net Fund Performance Results – State Peace Officers’ & Firefighters’ (POFF) Defined Contribution Plan

Periods Ended September 30, 2011

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
State Peace Officers’ & Firefighters Plan (POFF)	\$432.3 mil	-11.2%	-0.7%	1.7%	0.4%	3.5%
<i>SIP Moderate Policy</i>		-10.2	0.3	3.3	1.6	4.6



CalPERS 457 Program Net Funds Periods Ended September 30, 2011

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS S&P 500 Equity Index	\$124.1 mil	-13.9	0.9	1.1	-1.3	2.6
<i>S&P 500 Index</i>		-13.9	1.1	1.2	-1.2	2.8
AllianceBernstein Large Cap Value	\$3.7 mil	-19.6	-6.0	0.1	--	--
<i>Russell 1000 Value</i>		-16.2	-1.9	-1.5	--	--
Turner Large Cap Growth	\$37.8 mil	-16.2	-0.9	0.9	--	--
<i>Russell 1000 Growth</i>		-13.1	3.8	4.7	--	--
CalPERS Small/Mid Equity Index	\$96.9 mil	-21.2	-2.4	1.9	--	--
<i>Russell 2500 Index</i>		-21.2	-2.2	2.3	--	--
CalPERS Total Return Bond Fund	\$52.2 mil	2.5	4.7	7.8	--	--
<i>Barclays Aggregate</i>		3.8	5.3	8.0	--	--
CalPERS TIPS Securities	\$31.9 mil	4.4	9.2	7.9	--	--
<i>Barclays U.S. TIPS Index</i>		4.5	9.9	8.1	--	--
CalPERS International Index	\$12.9 mil	-19.9	-9.6	-0.7	--	--
<i>FTSE Dev. World Index Ex-US</i>		-19.6	-9.0	-0.1	--	--
Boston Company SMID Growth	\$4.1 mil	-16.7	5.7	--	--	--
<i>Russell 2500 Growth Index</i>		-21.4	0.6	--	--	--
Boston Company SMID Value	\$1.7 mil	-21.8	-9.3	--	--	--
<i>Russell 2500 Value Index</i>		-21.1	-4.7	--	--	--
Pyramis Select International	\$27.6 mil	-20.3	-8.8	--	--	--
<i>CalPERS FTSE Dev World x-US</i>		-19.6	-9.0	--	--	--
CalPERS Conservative Asset Allocation	\$32.8 mil	-4.3	2.4	--	--	--
<i>SIP Conservative Index</i>		-3.4	3.1	--	--	--
CalPERS Moderate Asset Allocation Fund	\$94.9 mil	-11.2	-0.7	--	--	--
<i>SIP Moderate Policy</i>		-10.2	0.3	--	--	--
CalPERS Target Income Fund	\$9.4 mil	-4.3	2.4	--	--	--
<i>SIP Income Policy</i>		-3.4	3.1	--	--	--

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	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
CalPERS Aggressive Asset Allocation <i>SIP Aggressive Policy</i>	\$42.5 mil	-16.8 -15.6	-4.0 -2.6	-- --	-- --	-- --
CalPERS Target 2005 Fund <i>SIP 2005 Policy</i>	\$1.0 mil	-6.0 -5.2	1.9 2.6	-- --	-- --	-- --
CalPERS Target 2010 Fund <i>SIP 2010 Policy</i>	\$14.2 mil	-7.6 -6.7	1.2 2.0	-- --	-- --	-- --
CalPERS Target 2015 Fund <i>SIP 2015 Policy</i>	\$16.6 mil	-9.3 -8.4	0.3 1.2	-- --	-- --	-- --
CalPERS Target 2020 Fund <i>SIP 2020 Policy</i>	\$22.3 mil	-10.9 -10.0	-0.5 0.4	-- --	-- --	-- --
CalPERS Target 2025 Fund <i>SIP 2025 Policy</i>	\$8.1 mil	-13.3 -12.1	-1.8 -0.7	-- --	-- --	-- --
CalPERS Target 2030 Fund <i>SIP 2030 Policy</i>	\$12.7 mil	-14.8 -13.6	-2.6 -1.5	-- --	-- --	-- --
CalPERS Target 2035 Fund <i>SIP 2035 Policy</i>	\$2.8 mil	-16.3 -15.2	-3.6 -2.3	-- --	-- --	-- --
CalPERS Target 2040 Fund <i>SIP 2040 Policy</i>	\$6.8 mil	-16.8 -15.6	-4.0 -2.6	-- --	-- --	-- --
CalPERS Target 2045 Fund <i>SIP 2045 Policy</i>	\$0.6 mil	-16.8 -15.6	-3.9 -2.6	-- --	-- --	-- --
CalPERS Target 2050 Fund <i>SIP 2050 Policy</i>	\$0.4 mil	-16.8 -15.6	-4.0 -2.6	-- --	-- --	-- --
SSgA STIF <i>BofAML 3-month US T-Bill</i>	\$162.3 mil	-0.1 0.0	-0.2 0.1	-- --	-- --	-- --
PIMCO Short-Term Bond Fund <i>ML 6-month T-Bill</i>	\$6.6 mil	-0.8 0.1	-0.1 0.3	-- --	-- --	-- --
457 Aggregate <i>CalPERS Custom 457 Plan Index</i>	\$826.9 mil	-10.6 -10.0	-0.9 -0.1	2.3 2.5	0.7 1.2	-- --

APPENDIX for PERF



Internal Equity – U.S.

Internal Equity - U.S.		Market Value 38.1	Qtr -15.4%	1 Year 0.5%	3 Year 1.7%	5 Year -0.6%	Incept. 8.7%	Date 6/88
	Internal FTSE 3000 Index Fund	31.5	-15.3%	0.5%	1.5%	-0.6%	7.6%	12/91
	Custom Benchmark		-15.4%	0.3%	1.3%	-0.8%	7.4%	
	Value Added		0.1%	0.2%	0.2%	0.2%	0.2%	
	Internal Domestic Fundamental	3.3	-16.3%	-0.2%	2.2%	-1.4%	-0.4%	6/06
	Custom Benchmark		-15.4%	0.3%	1.3%	-0.8%	0.0%	
	Value Added		-0.9%	-0.5%	0.9%	-0.6%	-0.4%	
	Synthetic Equity	3.0	-15.6%	-0.1%	-.-%	-.-%	13.9%	6/09
	Custom Benchmark		-16.2%	-2.1%	-.-%	-.-%	10.3%	
	Value Added		0.6%	2.0%	-.-%	-.-%	3.6%	
	Internal Microcap	0.2	-20.5%	-5.3%	5.4%	-0.8%	4.3%	9/03
	Custom Benchmark		-20.1%	-9.3%	2.8%	-3.6%	3.1%	
	Value Added		-0.4%	4.0%	2.6%	2.8%	1.2%	
Developmental	Internal Fan Long	0.1	-16.6%	-0.6%	-.-%	-.-%	4.8%	9/09
	Custom Benchmark		-15.4%	0.3%	-.-%	-.-%	5.5%	
	Value Added		-1.2%	-0.9%	-.-%	-.-%	-0.7%	
	Internal Long/Short	0.1	-3.7%	-4.3%	-6.3%	-.-%	-6.3%	9/08
	91-Day Treasury Bill		0.0%	0.1%	0.2%	-.-%	0.2%	
	Value Added		-3.7%	-4.4%	-6.5%	-.-%	-6.5%	

External Traditional Equity (ex MDP, FoF, Corp Gov, RMARS) – U.S.

External Traditional Equity		Market Value 2.9	Qtr -16.9%	1 Year -2.0%	3 Year 0.3%	5 Year -2.7%	Incept. 8.2%	Date 3/90
Value	Boston Company	0.4	-22.2%	-6.9%	-1.3%	-1.7%	4.5%	6/98
	Custom Benchmark		-15.1%	-0.7%	-1.2%	-3.4%	3.2%	
	Value Added		-7.1%	-6.2%	-0.1%	1.7%	1.3%	
	Performance Objective		-14.8%	0.6%	0.1%	-2.2%	4.5%	
	Value Added		-7.4%	-7.5%	-1.4%	0.5%	0.1%	
	Pzena	0.4	-20.0%	-6.8%	0.7%	-5.8%	6.4%	9/00
	Custom Benchmark		-15.1%	-0.7%	-1.2%	-3.4%	4.6%	
	Value Added		-4.9%	-6.1%	1.9%	-2.4%	1.8%	
	Performance Objective		-14.8%	0.6%	0.1%	-2.2%	5.9%	
	Value Added		-5.2%	-7.4%	0.7%	-3.7%	0.6%	

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External Traditional Equity (ex MDP, FoF, Corp Gov, RMARS) – U.S.

External Traditional Equity		Market Value 2.9	Qtr -16.9%	1 Year -2.0%	3 Year 0.3%	5 Year -2.7%	Incept. 8.2%	Date 3/90
Growth	Marvin & Palmer Large Cap Growth	0.3	-18.1%	-2.0%	-1.5%	-.-%	-3.3%	12/06
	Custom Benchmark		-14.4%	2.4%	4.1%	-.-%	0.1%	
	Value Added		-3.7%	-4.4%	-5.6%	-.-%	-3.4%	
	Performance Objective		-14.0%	3.9%	5.6%	-.-%	1.6%	
	Value Added		-4.1%	-5.9%	-7.1%	-.-%	-4.9%	
Enhanced	T Rowe Price	0.7	-14.0%	0.8%	1.5%	-0.6%	0.1%	3/06
	Custom Benchmark		-14.7%	0.4%	0.8%	-1.5%	-0.7%	
	Value Added		0.7%	0.4%	0.7%	0.9%	0.8%	
	Performance Objective		-14.4%	1.6%	2.0%	-0.3%	0.5%	
	Value Added		0.4%	-0.8%	-0.5%	-0.3%	-0.4%	
Long/Short	First Quadrant Long/Short	0.6	-14.5%	1.1%	1.1%	-.-%	-2.0%	3/08
	Custom Benchmark		-14.7%	0.8%	1.5%	-.-%	-2.1%	
	Value Added		0.2%	0.3%	-0.4%	-.-%	0.1%	
	Performance Objective		-14.2%	2.8%	3.5%	-.-%	-0.1%	
	Value Added		-0.3%	-1.7%	-2.4%	-.-%	-1.9%	
	JP Morgan Long/Short	0.6	-16.1%	-2.0%	3.5%	-.-%	0.1%	3/08
	Custom Benchmark		-14.1%	0.8%	1.0%	-.-%	-2.5%	
	Value Added		-2.0%	-2.8%	2.5%	-.-%	2.6%	
	Performance Objective		-13.4%	3.8%	4.0%	-.-%	0.5%	
	Value Added		-2.8%	-5.8%	-0.5%	-.-%	-0.4%	



Internal Equity – International

Internal Equity - International		Market Value 42.2	Qtr -20.3%	1 Year -10.4%	3 Year 1.0%	5 Year -1.7%	Incept. 3.0%	Date 3/05
Total International Developed Internal Equity		36.3	-20.0%	-9.1%	0.2%	-2.2%	-2.2%	9/06
Environmental	Internal International Equity	28.9	-19.8%	-9.3%	-0.4%	-2.4%	-2.4%	9/06
	Custom Benchmark		-19.9%	-9.5%	-0.4%	-2.5%	-2.5%	
	Value Added		0.1%	0.2%	0.0%	0.1%	0.1%	
	Developed Market Small Cap	4.2	-20.5%	-6.8%	5.6%	-.-%	5.6%	9/08
	CalPERS FTSE Developed Index		-20.6%	-7.0%	5.6%	-.-%	5.6%	
	Value Added		0.1%	0.2%	0.0%	-.-%	0.0%	
	Fundamental Developed International	2.7	-20.7%	-10.1%	-1.6%	-.-%	-6.5%	3/07
	CalPERS FTSE Developed Index		-19.9%	-9.5%	-0.4%	-.-%	-5.6%	
	Value Added		-0.8%	-0.6%	-1.2%	-.-%	-0.9%	
Environmental	Internal Environmental HSBC CCI	0.4	-21.9%	-15.5%	-.-%	-.-%	-15.5%	9/10
	Custom Benchmark		-18.1%	-6.1%	-.-%	-.-%	-6.1%	
	Value Added		-3.8%	-9.4%	-.-%	-.-%	-9.4%	
Total Emerging Markets Internal Equity		5.9	-22.3%	-18.7%	6.7%	-.-%	-0.9%	6/07
	Internal Int'l Emerging Markets	3.6	-21.8%	-18.2%	6.8%	-.-%	6.8%	9/08
	CalPERS FTSE All Emerging x-KLD/Sudan		-21.6%	-18.1%	6.8%	-.-%	6.8%	
	Value Added		-0.2%	-0.1%	0.0%	-.-%	0.0%	
	Structured Emerging Markets	0.6	-20.9%	-16.5%	7.3%	-.-%	-0.4%	6/07
	CalPERS FTSE All Emerging x-KLD/Sudan		-21.6%	-18.1%	6.8%	-.-%	-1.2%	
	Value Added		0.7%	1.6%	0.5%	-.-%	0.8%	
	Fundamental Emerging Markets	1.1	-20.7%	-16.8%	8.1%	-.-%	0.1%	6/07
	CalPERS FTSE All Emerging x-KLD/Sudan		-21.6%	-18.1%	6.8%	-.-%	-1.2%	
	Value Added		0.9%	1.3%	1.3%	-.-%	1.3%	



External Traditional Equity – International

Total International Developed External Equity		Market Value 5.1	Qtr -18.9%	1 Year -8.0%	3 Year 1.7%	5 Year -1.7%	Incept. 5.5%	Date 6/89
Core	Arrowstreet Capital (Mainstream)	2.3	-19.0%	-8.0%	8.3%	4.2%	13.7%	3/03
	Custom Benchmark		-20.0%	-10.7%	1.1%	-1.1%	10.4%	
	Value Added		1.0%	2.7%	7.2%	5.3%	3.3%	
	Performance Objective		-19.5%	-8.7%	3.1%	0.9%	12.4%	
	Value Added		0.5%	0.7%	5.2%	3.3%	1.3%	
	Pyramis Global	0.7	-20.0%	-8.1%	-0.7%	-.%	-7.3%	3/08
	Custom Benchmark		-19.6%	-9.1%	-0.2%	-.%	-6.9%	
	Value Added		-0.4%	1.0%	-0.5%	-.%	-0.4%	
	Performance Objective		-19.1%	-7.1%	1.8%	-.%	-4.9%	
	Value Added		-0.9%	-1.0%	-2.5%	-.%	-2.4%	
Growth	Baillie Gifford Overseas Limited	1.0	-18.0%	-7.9%	3.2%	2.4%	7.1%	6/01
	Custom Benchmark		-20.0%	-10.7%	1.1%	-1.1%	5.2%	
	Value Added		2.0%	2.8%	2.1%	3.5%	1.9%	
	Performance Objective		-19.5%	-8.7%	3.1%	0.9%	7.2%	
	Value Added		1.5%	0.8%	0.1%	1.5%	-0.1%	
Value	Grantham, Mayo, Van Otterloo	0.7	-19.6%	-8.6%	2.0%	-1.5%	6.6%	6/01
	Custom Benchmark		-19.6%	-9.1%	1.7%	-0.7%	5.4%	
	Value Added		0.0%	0.5%	0.3%	-0.8%	1.2%	
	Performance Objective		-19.0%	-6.7%	4.2%	1.8%	7.9%	
	Value Added		-0.6%	-2.0%	-2.2%	-3.3%	-1.3%	
Regional	Nomura Asset Management	0.4	-16.7%	-7.7%	5.4%	0.5%	4.1%	9/89
	Custom Benchmark		-15.4%	-8.0%	4.8%	0.1%	0.8%	
	Value Added		-1.3%	0.3%	0.6%	0.4%	3.3%	
	Performance Objective		-14.9%	-6.0%	6.8%	2.1%	2.8%	
	Value Added		-1.8%	-1.7%	-1.4%	-1.6%	1.3%	



External Traditional Equity – International

Total Emerging Markets External Equity		Market Value 3.3	Qtr -21.5%	1 Year -17.9%	3 Year 6.9%	5 Year 5.3%	Incept. 17.9%	Date 9/02
	AllianceBernstein Int'l	0.7	-25.1%	-21.9%	4.4%	2.1%	17.5%	9/02
	Custom Benchmark		-21.8%	-16.7%	6.7%	5.1%	16.7%	
	Value Added		-3.3%	-5.2%	-2.3%	-3.0%	0.8%	
	Performance Objective		-21.2%	-14.2%	9.2%	7.6%	19.2%	
	Value Added		-3.9%	-7.7%	-4.8%	-5.5%	-1.7%	
	Dimensional Fund Advisors	0.6	-20.8%	-16.4%	7.8%	7.6%	19.1%	9/02
	Custom Benchmark		-21.8%	-16.7%	6.7%	5.1%	16.7%	
	Value Added		1.0%	0.3%	1.1%	2.5%	2.4%	
	Performance Objective		-21.3%	-14.7%	8.7%	7.1%	18.7%	
	Value Added		0.5%	-1.7%	-0.9%	0.5%	0.4%	
	Genesis Asset Managers	0.9	-19.7%	-13.8%	12.3%	8.8%	18.7%	9/02
	Custom Benchmark		-21.8%	-16.7%	6.7%	5.1%	16.7%	
	Value Added		2.1%	2.9%	5.6%	3.7%	2.0%	
	Performance Objective		-21.2%	-14.2%	9.2%	7.6%	19.2%	
	Value Added		1.5%	0.4%	3.1%	1.2%	-0.5%	
	Lazard Emerging Markets	0.7	-18.8%	-17.3%	6.8%	-.%	-1.6%	9/07
	Custom Benchmark		-21.8%	-16.7%	6.7%	-.%	-4.6%	
	Value Added		3.0%	-0.6%	0.1%	-.%	3.0%	
	Performance Objective		-21.3%	-14.7%	8.7%	-.%	-2.6%	
	Value Added		2.5%	-2.6%	-1.9%	-.%	1.0%	
	Pictet Emerging Markets	0.4	-23.9%	-18.9%	5.5%	-.%	-3.5%	6/07
	Custom Benchmark		-21.8%	-16.7%	6.7%	-.%	-2.0%	
	Value Added		-2.1%	-2.2%	-1.2%	-.%	-1.5%	
	Performance Objective		-21.3%	-14.7%	8.7%	-.%	0.0%	
	Value Added		-2.6%	-4.2%	-3.2%	-.%	-3.5%	



Corporate Governance

Total Corporate Governance		Market Value 4.4	Qtr -13.1%	1 Year 0.6%	3 Year 2.3%	5 Year -2.8%	Incept. 7.0%	Date 12/98
U.S.	Blum Strategic Partners II	0.0	-29.2%	-21.0%	-0.9%	-.-%	-12.6%	6/07
	Custom Benchmark		1.9%	8.0%	8.0%	-.-%	8.0%	
	Value Added		-31.1%	-29.0%	-8.9%	-.-%	-20.6%	
	Blum Strategic Partners III	0.1	-25.4%	-13.0%	3.6%	-2.5%	-0.8%	9/05
	Custom Benchmark		1.9%	8.0%	8.0%	8.0%	8.0%	
	Value Added		-27.3%	-21.0%	-4.4%	-10.5%	-8.8%	
	Blum Strategic Partners IV	0.2	-19.5%	-11.3%	0.5%	-.-%	-12.3%	12/07
	Custom Benchmark		1.9%	8.0%	8.0%	-.-%	8.0%	
	Value Added		-21.4%	-19.3%	-7.5%	-.-%	-20.3%	
	Breeden Partners	0.4	-12.0%	6.8%	-9.0%	-3.8%	-3.2%	6/06
	Custom Benchmark		-13.9%	1.1%	1.2%	-1.2%	-0.1%	
	Value Added		1.9%	5.7%	-10.2%	-2.6%	-3.1%	
	New Mountain Capital	0.3	-9.8%	6.5%	11.6%	4.4%	4.3%	12/05
	Custom Benchmark		-13.9%	1.1%	1.2%	-1.2%	0.4%	
	Value Added		4.1%	5.4%	10.4%	5.6%	3.9%	
	Internal New Mountain Capital	0.1	-21.8%	7.4%	11.2%	-.-%	8.8%	12/06
	Custom Benchmark		-13.9%	1.1%	1.2%	-.-%	-2.6%	
	Value Added		-7.9%	6.3%	10.0%	-.-%	11.4%	
	Relational Investors	0.9	-11.6%	11.3%	3.7%	-2.5%	10.5%	12/98
	Custom Benchmark		-13.9%	1.1%	1.2%	-1.2%	1.1%	
	Value Added		2.3%	10.2%	2.5%	-1.3%	9.4%	
	Relational Midcap	0.4	-14.7%	1.2%	13.0%	-.-%	13.0%	9/08
	Custom Benchmark		-19.9%	-1.3%	4.1%	-.-%	4.1%	
	Value Added		5.2%	2.5%	8.9%	-.-%	8.9%	



Corporate Governance

Total Corporate Governance		Market Value 4.4	Qtr -13.1%	1 Year 0.6%	3 Year 2.3%	5 Year -2.8%	Incept. 7.0%	Date 12/98
International	Caritca Capital Partners L.P. <i>Custom Benchmark</i> <i>Value Added</i>	0.3	-6.3% -21.6% 15.3%	0.1% -16.3% 16.4%	-.-% -.-% -.-%	-.-% -.-% -.-%	26.4% -3.8% 30.2%	12/09
	Governance for Owners <i>Custom Benchmark</i> <i>Value Added</i>	0.2	-22.8% -23.1% 0.3%	-7.9% -11.7% 3.8%	3.0% -2.2% 5.2%	-.-% -.-% -.-%	-6.5% -5.8% -0.7%	12/06
	Internal Governance for Owners <i>Custom Benchmark</i> <i>Value Added</i>	0.1	-39.3% -23.4% -15.9%	-24.6% -11.8% -12.8%	-4.7% -2.3% -2.4%	-.-% -.-% -.-%	-17.1% -9.2% -7.9%	6/07
	Breeden European Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.1	-25.4% -22.6% -2.8%	-23.2% -11.3% -11.9%	-.-% -.-% -.-%	-.-% -.-% -.-%	-34.2% 15.0% -49.2%	03/09
	Knight Vinke Institutional Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.2	-22.7% -23.6% 0.9%	-23.9% -14.9% -9.0%	-11.6% -5.8% -5.8%	-6.8% -6.9% 0.1%	5.3% 0.5% 4.8%	12/03
	Knight Vinke Internal Partners <i>Custom Benchmark</i> <i>Value Added</i>	0.1	-20.1% -23.6% 3.5%	-15.4% -14.9% -0.5%	-7.3% -5.8% -1.5%	-2.8% -6.9% 4.1%	-0.1% -5.2% 5.1%	3/06
	Lazard Korea Corp Gov Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.1	-24.5% -23.8% -0.7%	-20.6% -8.9% -11.7%	-6.9% 5.7% -12.6%	-.-% -.-% -.-%	-12.1% -3.3% -8.8%	6/08
	Taiyo Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.7	-4.4% -10.4% 6.0%	12.4% -8.2% 20.6%	8.4% -11.2% 19.6%	-0.2% -13.9% 13.7%	8.4% -3.4% 11.8%	9/03
	Taiyo Pearl Fund <i>Custom Benchmark</i> <i>Value Added</i>	0.2	1.7% 0.0% 1.7%	8.0% 0.0% 8.0%	9.7% 0.0% 9.7%	-.-% -.-% -.-%	4.2% 0.0% 4.2%	9/07
	Taiyo Cypress <i>Custom Benchmark</i> <i>Value Added</i>	0.2	-4.1% -10.4% 6.3%	3.8% -8.2% 12.0%	8.2% -11.2% 19.4%	-.-% -.-% -.-%	1.2% -15.6% 16.8%	6/08



Manager Development Program

Manager Development Program		Market Value 1.5	Qtr -17.2%	1 Year -4.1%	3 Year -0.4%	5 Year -1.2%	Incept. -0.4%	Date 6/00
MDP I		0.4	-17.0%	-7.0%	-1.0%	-1.5%	-0.5%	6/00
MDP I	Stux Investments	0.4	-16.9%	-0.5%	1.1%	-1.1%	2.2%	3/04
	Custom Benchmark		-14.7%	0.8%	1.4%	-1.0%	2.4%	
	Value Added		-2.2%	-1.3%	-0.3%	-0.1%	-0.2%	
	Performance Objective		-14.3%	2.3%	2.9%	0.5%	3.9%	
	Value Added		-2.6%	-2.8%	-1.8%	-1.6%	-1.7%	
MDP II		1.1	-17.3%	-1.0%	-0.8%	-.%	-4.4%	3/07
MDP II	Piedmont Strategic Core	0.2	-16.4%	-4.6%	-.%	-.%	9.3%	6/09
	Custom Benchmark		-14.7%	0.1%	-.%	-.%	11.3%	
	Value Added		-1.7%	-4.7%	-.%	-.%	-2.0%	
	Performance Objective		-14.5%	1.1%	-.%	-.%	12.3%	
	Value Added		-2.0%	-5.7%	-.%	-.%	-3.0%	
	Quotient Large Core	0.1	-16.7%	0.1%	1.1%	-.%	-2.8%	3/08
	Custom Benchmark		-14.7%	0.8%	1.4%	-.%	-2.1%	
	Value Added		-2.0%	-0.7%	-0.3%	-.%	-0.7%	
	Performance Objective		-14.5%	1.8%	2.4%	-.%	-1.1%	
	Value Added		-2.3%	-1.7%	-1.3%	-.%	-1.7%	
	Quotient Small Core	0.0	-24.3%	-6.5%	-3.5%	-.%	5.6%	3/08
	Custom Benchmark		-22.2%	-4.6%	-0.8%	-.%	-0.8%	
	Value Added		-2.1%	-1.9%	-2.7%	-.%	6.4%	
	Performance Objective		-21.6%	-2.1%	1.7%	-.%	1.7%	
	Value Added		-2.7%	-4.4%	-5.2%	-.%	3.9%	
	Redwood Large Growth	0.2	-15.1%	3.4%	0.5%	-.%	-2.9%	3/08
	Custom Benchmark		-14.4%	2.4%	4.1%	-.%	0.0%	
	Value Added		-0.7%	1.0%	-3.6%	-.%	-2.9%	
	Performance Objective		-14.2%	3.4%	5.1%	-.%	1.0%	
	Value Added		-1.0%	0.0%	-4.6%	-.%	-3.9%	
	Sourcecap International	0.3	-17.2%	-0.7%	-.%	-.%	11.2%	12/08
	Custom Benchmark		-23.4%	-11.8%	-.%	-.%	7.6%	
	Value Added		6.2%	11.1%	-.%	-.%	3.6%	
	Performance Objective		-23.2%	-10.8%	-.%	-.%	8.6%	
	Value Added		6.0%	10.1%	-.%	-.%	2.6%	

Fund of Funds

Total Fund of Funds		Market Value 0.7	Qtr -19.5%	1 Year -2.6%	3 Year 2.6%	5 Year --%	Incept. -0.4%	Date 3/08
FIS Fund of Funds		0.3	-18.2%	-3.3%	1.6%	--%	-1.7%	3/08
Ah Lisanti Small Cap Growth		0.0	-23.0%	2.5%	3.3%	--%	0.5%	3/08
	Custom Benchmark		-23.3%	-3.7%	1.2%	--%	0.2%	
	Value Added		0.3%	6.2%	2.1%	--%	0.3%	
Ativo International		0.0	-17.8%	-6.6%	5.1%	--%	5.1%	9/08
	Custom Benchmark		-19.0%	-9.1%	1.0%	--%	1.0%	
	Value Added		1.2%	2.5%	4.1%	--%	4.1%	
Bedlam International		0.0	-14.6%	-8.4%	-0.7%	--%	-0.7%	9/08
	Custom Benchmark		-19.0%	-9.1%	1.0%	--%	1.0%	
	Value Added		4.4%	0.7%	-1.7%	--%	-1.7%	
Herndon Large Growth		0.0	-15.3%	6.2%	5.6%	--%	5.6%	9/08
	Custom Benchmark		-13.4%	3.5%	4.5%	--%	4.5%	
	Value Added		-1.9%	2.7%	1.1%	--%	1.1%	
Herndon Large Value		0.0	-15.1%	4.3%	7.2%	--%	2.8%	3/08
	Custom Benchmark		-15.1%	-0.7%	-1.2%	--%	-4.4%	
	Value Added		0.0%	5.0%	8.4%	--%	7.2%	
Herndon International		0.0	-19.3%	-11.7%	--%	--%	2.7%	6/10
	Custom Benchmark		-19.8%	-10.4%	--%	--%	3.6%	
	Value Added		0.5%	-1.3%	--%	--%	-0.9%	
Hexavest EAFE Value		0.0	-15.7%	-7.5%	--%	--%	-3.4%	9/09
	Custom Benchmark		-19.0%	-9.1%	--%	--%	-3.2%	
	Value Added		3.3%	1.6%	--%	--%	-0.2%	
Lombardia Small Value		0.0	-20.7%	-2.9%	0.9%	--%	0.9%	9/08
	Custom Benchmark		-21.2%	-5.7%	-2.7%	--%	-2.7%	
	Value Added		0.5%	2.8%	3.6%	--%	3.6%	
Mastrapasqua Large Growth		0.0	-17.4%	0.9%	2.8%	--%	0.0%	3/08
	Custom Benchmark		-14.4%	2.4%	4.1%	--%	0.0%	
	Value Added		-3.0%	-1.5%	-1.3%	--%	0.0%	
Moody Aldrich All Cap Value		0.0	-25.4%	-13.0%	-3.8%	--%	-8.6%	3/08
	Custom Benchmark		-16.8%	-2.4%	-1.8%	--%	-4.5%	
	Value Added		-8.6%	-10.6%	-2.0%	--%	-4.1%	
Oakbrook Large Value		0.0	-16.7%	-2.4%	-1.7%	--%	-1.7%	9/08
	Custom Benchmark		-16.3%	-2.1%	-1.7%	--%	-1.7%	
	Value Added		-0.4%	-0.3%	0.0%	--%	0.0%	
Oakbrook Mid Cap Core		0.0	-19.8%	-1.6%	4.0%	--%	-0.1%	3/08
	Custom Benchmark		-19.0%	-1.0%	3.9%	--%	0.0%	
	Value Added		-0.8%	-0.6%	0.1%	--%	-0.1%	
Paradigm Alpha Max Large Value		0.0	-16.1%	-1.4%	-3.0%	--%	-5.8%	3/08
	Custom Benchmark		-16.3%	-2.1%	1.7%	--%	-4.8%	
	Value Added		0.2%	0.7%	-4.7%	--%	-1.0%	
Victoria Emerging Markets		0.0	-22.3%	-15.5%	--%	--%	4.0%	9/09
	Custom Benchmark		-22.6%	-16.1%	--%	--%	0.4%	
	Value Added		0.3%	0.6%	--%	--%	3.6%	
DSM Large Growth		0.0	-15.2%	-2.6%	-0.7%	--%	-2.5%	3/08
	Custom Benchmark		-13.4%	3.5%	4.5%	--%	0.3%	
	Value Added		-1.8%	-6.1%	-5.2%	--%	-2.8%	

CalPERS
Performance Analysis
September 30, 2011



Fund of Funds

Total Fund of Funds		Market Value 0.7	Qtr -19.5%	1 Year -2.6%	3 Year 2.6%	5 Year -.-%	Incept. -0.4%	Date 3/08
Leading Edge Fund of Funds		0.3	-20.0%	-3.2%	3.1%	-.-%	0.4%	3/08
	Cupps Small Growth	0.0	-20.4%	13.6%	10.4%	-.-%	7.4%	3/08
	Custom Benchmark		-23.3%	-3.7%	1.2%	-.-%	0.2%	
	Value Added		2.9%	17.3%	9.2%	-.-%	7.2%	
	Logan Large Growth	0.0	-19.4%	-2.9%	4.7%	-.-%	-1.5%	3/08
	Custom Benchmark		-14.4%	2.4%	4.1%	-.-%	0.0%	
	Value Added		-5.0%	-5.3%	0.6%	-.-%	-1.5%	
	Markston Large Core	0.0	-13.6%	2.3%	2.1%	-.-%	0.9%	3/08
	Custom Benchmark		-14.7%	0.1%	0.7%	-.-%	-2.7%	
	Value Added		1.1%	2.2%	1.4%	-.-%	3.6%	
	Mindshare Small Growth	0.0	-26.7%	-8.1%	-0.8%	-.-%	-1.3%	3/08
	Custom Benchmark		-23.3%	-3.7%	1.2%	-.-%	0.2%	
	Value Added		-3.4%	-4.4%	-2.0%	-.-%	-1.5%	
	Nicholas Small Growth	0.0	-24.5%	-1.3%	-.-%	-.-%	-1.3%	9/10
	Custom Benchmark		-23.3%	-3.8%	-.-%	-.-%	-3.8%	
	Value Added		-1.2%	2.5%	-.-%	-.-%	2.5%	
	Phocas Small Value	0.0	-20.4%	-3.9%	2.2%	-.-%	2.3%	3/08
	Custom Benchmark		-21.2%	-5.7%	-2.7%	-.-%	-2.0%	
	Value Added		0.8%	1.8%	4.9%	-.-%	4.3%	
	Redwood Large Growth-LEIA	0.0	-15.2%	3.5%	0.5%	-.-%	-3.1%	3/08
	Custom Benchmark		-14.4%	2.4%	4.1%	-.-%	0.0%	
	Value Added		-0.8%	1.1%	-3.6%	-.-%	-3.1%	
	Westwood	0.1	-18.4%	-13.3%	-.-%	-.-%	26.1%	12/08
	Custom Benchmark		-21.8%	-16.7%	-.-%	-.-%	21.2%	
	Value Added		3.4%	3.4%	-.-%	-.-%	4.9%	
	Windsor - LEIA	0.0	-22.2%	-.-%	-.-%	-.-%	-23.2%	3/11
	Custom Benchmark		-21.2%	-.-%	-.-%	-.-%	-23.3%	
	Value Added		-1.0%	-.-%	-.-%	-.-%	0.1%	



Fund of Funds

Total Fund of Funds		Market Value 0.7	Qtr -19.5%	1 Year -2.6%	3 Year 2.6%	5 Year -.-%	Incept. -0.4%	Date 3/08
Progress Fund of Funds		0.1	-21.3%	1.0%	-.-%	-.-%	1.0%	9/10
	Independence	0.0	-18.7%	6.9%	-.-%	-.-%	6.9%	9/10
	Custom FTSE 2000 Growth		-23.3%	-3.8%	-.-%	-.-%	-3.8%	
	Value Added		4.6%	10.7%	-.-%	-.-%	10.7%	
	Hubert	0.0	-17.9%	14.2%	-.-%	-.-%	14.2%	9/10
	Custom FTSE 2000 Value		-21.2%	-5.7%	-.-%	-.-%	-5.7%	
	Value Added		3.3%	19.9%	-.-%	-.-%	19.9%	
	GW Capital	0.0	-27.8%	-3.9%	-.-%	-.-%	-3.9%	9/10
	Custom FTSE 2000 Value		-21.2%	-5.7%	-.-%	-.-%	-5.7%	
	Value Added		-6.6%	1.8%	-.-%	-.-%	1.8%	
	OMT	0.0	-20.0%	-1.1%	-.-%	-.-%	-1.1%	9/10
	Custom FTSE 2000 Growth		-23.3%	-4.2%	-.-%	-.-%	-4.2%	
	Value Added		3.3%	3.1%	-.-%	-.-%	3.1%	
	Riverbridge	0.0	-16.1%	6.7%	-.-%	-.-%	6.7%	9/10
	Custom FTSE 2000 Growth		-23.3%	-3.8%	-.-%	-.-%	-3.8%	
	Value Added		7.2%	10.5%	-.-%	-.-%	10.5%	
	Channing	0.0	-21.5%	-6.5%	-.-%	-.-%	-6.5%	9/10
	Custom FTSE 2000 Value		-21.2%	-5.7%	-.-%	-.-%	-5.7%	
	Value Added		-0.3%	-0.8%	-.-%	-.-%	-0.8%	
	CWC	0.0	-23.4%	-5.3%	-.-%	-.-%	-5.3%	9/10
	Custom FTSE 2000		-22.2%	-4.7%	-.-%	-.-%	-4.7%	
	Value Added		-1.2%	-.-%	-.-%	-.-%	-0.6%	
	Nichols	0.0	-21.5%	2.9%	-.-%	-.-%	2.9%	9/10
	Custom FTSE 2000 Growth		-23.3%	-3.8%	-.-%	-.-%	-3.8%	
	Value Added		1.8%	6.7%	-.-%	-.-%	6.7%	



External Manager Performance Review (continued)

ARS Program

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total ARS Program	5.3	-1.5%	2.3%	3.3%	2.5%
<i>ARS Policy Benchmark</i>		1.4%	5.6%	6.3%	7.9%
Total Fund of Funds	1.5	-2.3%	-0.7%	0.3%	1.2%
47 Degrees North Capital Fund of Emergin	0.2	-3.1%	-3.0%	-0.3%	-.-%
Ermitage European Fund of Funds	0.1	0.6%	1.3%	-0.2%	1.6%
Europanel European Fund of Funds	0.3	-2.4%	1.4%	3.2%	3.7%
PAAMCO Asian Fund of Funds	0.2	-3.7%	-0.9%	-3.4%	-1.3%
PAAMCO Fund of Emerging Funds	0.1	-3.2%	1.6%	2.8%	-.-%
Rock Creek fund of Emerging Funds	0.2	-4.9%	-0.1%	4.4%	-.-%
UBS European Fund of Funds	0.1	-0.9%	-7.8%	-4.2%	-2.9%
Vision Asian Fund of Funds	0.3	-0.3%	1.7%	-0.6%	2.0%
ARS Direct Investments	3.8	-1.2%	3.7%	4.6%	3.2%
CalPERS Hedge Fund-UBS	3.8	-1.2%	4.6%	5.0%	3.4%



External Manager Performance Review (continued)
ARS Program* (Continued)

	Market Value	Qtr	1 Year	3 Year	5 Year
Total ARS Program	5.3 bil	-1.5%	2.3%	3.3%	2.5%
<i>ARS Policy Benchmark</i>		1.4%	5.6%	6.3%	7.9%
ARS Direct Investments	3.8 bil	-1.2%	3.7%	4.6%	3.2%
CalPERS Hedge Fund-UBS	3.8 bil	-1.2%	4.6%	5.0%	3.4%
Convertible Arbitrage*	279.1 mil	-0.2%	6.7%	18.9%	10.5%
Symphony Eureka Fund L.P.	279.1 mil	-0.2%	6.7%	18.9%	10.5%
Domestic Equity Long/Short*	242.2 mil	-3.1%	4.7%	5.8%	6.3%
International Equity Long/Short*	312.7 mil	-11.4%	-6.8%	1.8%	-3.7%
Brookside Capital Partners Fund, L.P.	23.2 mil	-21.2%	46.4%	17.1%	13.4%
PFM Diversified Eureka Fund, LP	219.0 mil	-0.7%	0.3%	8.3%	10.9%
Lansdowne European	217.7 mil	-13.7%	-10.2%	1.8%	1.0%
Standard Pacific Eureka Fund LLLP	95.0 mil	-5.6%	-.%	-.%	-.%
Multi-Strategy*	731.8 mil	-2.8%	4.0%	2.6%	1.5%
Canyon Value Realization Fund L.P.	25.1 mil	-0.8%	7.0%	8.6%	4.3%
Deephaven	5.5 mil	-6.4%	-13.3%	-9.0%	-5.4%
Farallon	1.8 mil	30.8%	57.8%	32.1%	16.9%
OZ Domestic Partners II, L.P.	45.9 mil	-2.9%	12.2%	9.9%	7.6%
OZ Eureka Fund, L.P.	487.6 mil	-4.4%	2.3%	6.3%	5.6%
Tennenbaum Multi-Strategy SPV (Cayman)	3.0 mil	-26.7%	-5.4%	8.4%	4.0%
SuttonBrook Eureka Fund LP	163.0 mil	2.5%	6.8%	0.6%	-.%

* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The ARS numbers on the previous page were provided by State Street and are based on the second business day.



External Manager Performance Review (continued)
ARS Program* (Continued)

	Market Value	Qtr	1 Year	3 Year	5 Year
Total ARS Program	5.3 bil	-1.5%	2.3%	3.3%	2.5%
<i>ARS Policy Benchmark</i>		1.4%	5.6%	6.3%	7.9%
Commodities*	798.8 mil	3.6%	7.7%	6.6%	8.0%
Aspect Alternative Fund LLP	288.3 mil	9.7%	11.5%	10.2%	10.9%
Black River CMSF	20.1 mil	-7.2%	-10.4%	-5.3%	-0.6%
Black River CTF (Onshore)	197.7 mil	-0.8%	0.1%	-1.2%	1.9%
BlueTrend Fund LP	292.8 mil	1.8%	11.2%	14.6%	-.-%
Credit-Driven*	613.7 mil	-9.1%	-3.2%	8.7%	5.5%
Canyon Special Opportunities Fund, LP	2.7 mil	-1.9%	9.3%	5.0%	-.-%
Chatham Asset Part. Spec. Situation Offsho	147.8 mil	-8.6%	-2.1%	11.0%	6.7%
Chatham Eureka Fund LP	463.2 mil	-9.3%	-2.8%	11.1%	8.7%
Fixed Income Arbitrage*	375.1 mil	3.7%	6.2%	5.6%	4.8%
Black River FIRV	375.1 mil	3.7%	6.2%	13.5%	11.4%
Market Neutral*	264.8 mil	-1.2%	3.1%	1.6%	0.4%
O'Connor Global Market Neutral L/S	49.2 mil	0.8%	3.6%	4.0%	-.-%
O'Connor Global Quantitative Equity LLC	118.8 mil	0.0%	8.4%	2.6%	0.6%
OMG Eureka LP	96.7 mil	-3.5%	-3.1%	-.-%	-.-%
Distressed*	22.0 mil	-1.2%	-5.2%	4.8%	1.9%
AIS Highbury Liquidating SPV, L.P.	22.0 mil	-1.2%	-5.2%	4.8%	1.9%

* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The ARS numbers on the previous page were provided by State Street and are based on the second business day.



External Manager Performance Review (continued)
ARS Program* (Continued)

	Market Value	Qtr	1 Year	3 Year	5 Year
Total ARS Program	5.3 bil	-1.5%	2.3%	3.3%	2.5%
<i>ARS Policy Benchmark</i>		1.4%	5.6%	6.3%	7.9%
Asian Fund of Funds*	456.2 mil	-4.4%	-2.8%	-2.0%	0.6%
Vision Blue Diamond Fund, L.P.	257.6 mil	-4.6%	-3.5%	-1.9%	1.3%
PAAMCO - Blue Diamond Separate Inves	198.6 mil	-4.3%	-2.0%	-.-%	-.-%
European Fund of Funds*	497.5 mil	-1.7%	0.6%	1.2%	1.3%
Ermitage Highbury Fund, LP	133.7 mil	0.4%	1.0%	-0.3%	1.3%
AIS Highbury Fund, LP	103.5 mil	-2.1%	-0.3%	-0.2%	-1.2%
ERAAM Highbury Fund, LP	260.2 mil	-2.6%	0.7%	3.4%	3.7%
Global Macro*	100.8 mil	0.8%	0.8%	-3.0%	-.-%
Breton Hill Eureka Fund, LP	100.8 mil	-.-%	-.-%	-.-%	-.-%
Fund of Emerging Hedge Funds*	534.3 mil	-5.4%	-2.5%	1.9%	-.-%
47 Degrees North 1848 Fund, LP	187.4 mil	-3.2%	-3.4%	-0.1%	-.-%
Rock Creek 1848 Fund, LP	205.4 mil	-7.0%	-2.3%	3.8%	-.-%
PAAMCO 1848 Fund, LP	141.5 mil	-5.9%	-1.4%	2.1%	-.-%

* The numbers presented above were provided by CalPERS and are updated whenever an underlying manager provides additional information. The ARS numbers on the previous page were provided by State Street and are based on the second business day.



Fixed Income – High Yield (Opportunistic)

		Market						
		Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Internal High Yield		0.7	-4.9%	-1.5%	15.2%	11.7%	15.8%	9/99
	High Yield	0.3	-3.4%	2.7%	18.5%	13.6%	15.8%	12/99
	Custom Benchmark		-5.6%	2.3%	12.6%	6.7%	6.9%	
	Value Added		2.2%	0.4%	5.9%	6.9%	8.9%	
	BB Internal High Yield	0.2	-2.5%	4.0%	-.-%	-.-%	9.4%	9/09
	Custom Benchmark		-3.0%	3.4%	-.-%	-.-%	9.3%	
	Value Added		0.5%	0.6%	-.-%	-.-%	0.1%	
	Non-Traditional High Yield	0.2	-9.8%	-12.4%	-.-%	-.-%	-2.1%	12/09
	Custom Benchmark		-5.6%	2.3%	-.-%	-.-%	7.3%	
	Value Added		-4.2%	-14.7%	-.-%	-.-%	-9.4%	
External High Yield		1.0	-5.8%	5.7%	5.5%	2.9%	7.3%	3/02
	Highland A	0.3	-3.0%	9.2%	6.5%	-.-%	2.9%	12/07
	Custom Benchmark		-5.6%	2.3%	12.6%	-.-%	7.3%	
	Value Added		2.6%	6.9%	-6.1%	-.-%	-4.4%	
	Highland B	0.1	-6.3%	18.8%	4.9%	-.-%	0.2%	12/07
	Custom Benchmark		-5.6%	2.3%	12.6%	-.-%	7.3%	
	Value Added		-0.7%	16.5%	-7.7%	-.-%	-7.1%	
	Columbia High Yield	0.2	-6.7%	2.5%	-.-%	-.-%	8.5%	9/09
	Custom Benchmark		-8.1%	1.1%	-.-%	-.-%	9.4%	
	Value Added		1.4%	1.4%	-.-%	-.-%	-0.9%	
	Logan Circle High Yield	0.2	-7.5%	2.8%	-.-%	-.-%	7.3%	12/09
	Custom Benchmark		-8.1%	1.1%	-.-%	-.-%	6.4%	
	Value Added		0.6%	1.7%	-.-%	-.-%	0.9%	
	Nomura	0.5	-6.5%	3.7%	14.9%	7.8%	9.0%	3/02
	Custom Benchmark		-5.6%	2.3%	12.6%	6.7%	8.1%	
	Value Added		-0.9%	1.4%	2.3%	1.1%	0.9%	
	PIMCO	0.1	-5.8%	1.7%	11.3%	5.9%	7.7%	3/02
	Custom Benchmark		-5.6%	2.3%	12.6%	6.7%	8.1%	
	Value Added		-0.2%	-0.6%	-1.3%	-0.8%	-0.4%	



External Fixed Income – International

External Fixed Income - International		Market Value 3.6	Qtr 1.5%	1 Year 5.8%	3 Year 10.8%	5 Year 8.9%	Incept. 8.3%	Date 3/89
	Alliance Bernstein	0.8	0.5%	4.8%	10.8%	-.-%	8.4%	3/07
	Custom Benchmark		1.0%	4.4%	8.3%	-.-%	7.8%	
	Value Added		-0.5%	0.4%	2.5%	-.-%	0.6%	
	Performance Objective		1.4%	5.9%	9.8%	-.-%	9.3%	
	Value Added		-0.9%	-1.1%	1.0%	-.-%	-0.9%	
	Baring	0.7	0.6%	5.2%	9.3%	8.2%	8.7%	9/89
	Custom Benchmark		1.0%	4.4%	8.3%	7.8%	7.5%	
	Value Added		-0.4%	0.8%	1.0%	0.4%	1.2%	
	Performance Objective		1.4%	5.9%	9.8%	9.3%	9.0%	
	Value Added		-0.8%	-0.7%	-0.5%	-1.1%	-0.3%	
	PIMCO	1.2	3.2%	8.5%	13.0%	-.-%	10.3%	3/07
	Custom Benchmark		1.0%	4.4%	8.3%	-.-%	7.8%	
	Value Added		2.2%	4.1%	4.7%	-.-%	2.5%	
	Performance Objective		1.4%	5.9%	9.8%	-.-%	9.3%	
	Value Added		1.8%	2.6%	3.2%	-.-%	1.0%	
	Rogge	0.9	0.9%	4.1%	9.2%	8.2%	8.0%	9/00
	Custom Benchmark		1.0%	4.4%	8.3%	7.8%	7.7%	
	Value Added		-0.1%	-0.3%	0.9%	0.4%	0.3%	
	Performance Objective		1.4%	5.9%	9.8%	9.3%	9.2%	
	Value Added		-0.5%	-1.8%	-0.6%	-1.1%	-1.2%	

Fixed Income – Special Investments

Special Investments		Market Value 0.5	Qtr 2.0%	1 Year -4.7%	3 Year 4.7%	5 Year 5.0%	Incept. 6.6%	Date 3/91
	California Underserved Fund	0.2	2.1%	5.3%	7.6%	-.-%	7.9%	6/07
	Equitable CCMF	0.0	1.3%	7.0%	7.0%	7.5%	8.4%	12/95
	MHLP-BRS	0.3	2.0%	-10.5%	2.7%	3.7%	5.0%	3/02
	U.L.L.I. Co.	0.0	1.8%	-1.6%	2.9%	10.6%	8.9%	6/95



Real Estate

		Market						
		<u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Public REITS		1.1	-17.3%	-6.9%	-0.2%	-5.1%	6.9%	6/02
Internal	Internal FTSE EPRA NAREIT	1.1	-17.3%	-6.9%	-.-%	-.-%	5.0%	9/09
	Custom Benchmark		-17.3%	-6.9%	-.-%	-.-%	5.0%	
	Value Added		0.0%	0.0%	-.-%	-.-%	0.0%	

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Relational Investors
Third Quarter 2011

Investment Type: U.S. Corporate Governance Fund

Inception Date: March 1996

Capital Commitment: \$1 billion

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$216.2 million	\$4,463.1 million
Distributed Capital:	\$145.9 million	\$4,263.4 million

Market Value (9/30/11): \$ 841.4 million

Investment Strategy:

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

Summary Analysis:

Number of Investments: 17

Organization:

- Glenn Welling, Managing Director of the Consumer, Healthcare, and Utilities group left the firm in October as a result of a mutual agreement. Also, Yvonne Young, Fund Controller, left the firm to be closer to her family in Los Angeles – Christine Conzen has assumed the majority of Ms. Young's responsibilities, and other responsibilities assumed by other accounting staff.
- Two new members joined the firm over the quarter – Carol Tang, Fund Accounting Specialist, and Bryce McFerran, Analyst.
- Five members of Relational's investment team were promoted (Matthew Hepler and Tom Lavia to Managing Director; Weston Ahlswede and Brendan Springstubb to Senior Analyst; and Michael McCulloch to Analyst). As a result of these promotions and Glenn Welling's departure from the firm, certain adjustments were made in the reporting lines and industry coverage.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Third Quarter 2011

Performance Analysis:

Relational's large cap portfolio performance led the S&P 500 Index for the third quarter of 2011 with a return of -11.61% versus -13.87% for the benchmark. During the quarter, Relational exited from five positions (Yahoo! due to sudden market appreciation; Electronic Arts due to less favorable risk-reward opportunity after strong stock price movement; L-3 Communications due to LLL's spin-off; LyondellBasell due to an overall risk management measure to decrease volatility; and Home Depot after successfully completing majority of its agenda items and believe in other better risk-reward opportunities) and initiated investment in five other investments (Projects Pop, Garage, Beat, Penny, and Traction). Baxter had positive announcements this quarter with 2Q11 results beating expectations and raising EPS guidance for the second time this year. Unum is under some pressure in the U.K., but the US sales are improving and UNM repurchased \$146M of its outstanding stock this quarter. Occidental continues to struggle with improvement in its California operations but reported strong earnings for the quarter and Relational remains active with management to ensure compliance on agreed governance transformations. CVS may benefit in the near-term from the unexpected announcement of the Medco and Express Scripts merger and announced a new share repurchase program for up to \$4B in addition to selling its subsidiary, TheraCom, for \$250M. Applied Materials repurchased 2M shares over the quarter and reported earnings above consensus. Plains Exploration continues to progress with its Gulf of Mexico development and the sale of the MMR stock will be used to deleverage the company and invest in PXP's core oil assets. MetLife's Alico acquisition remains on track and announced its intention to sell its depository business. Relational held investments in 16 portfolio companies and is at varying stages of due diligence on six additional investments. Wilshire will continue to monitor and provide updates on the fund.

Calendar Year Performance (%)									
As of 9/30/2011									
	YTD	2010	2009	2008	2007	2006	2005	2004	2003
Relational	-1.08	25.11	24.56	-41.01	-10.01	9.29	9.89	16.49	40.77
Custom S&P 500	-8.68	15.07	26.45	-37.01	5.54	15.81	4.89	10.87	28.69
Excess Return	7.60	10.04	-1.89	-4.00	-15.55	-6.52	5.00	5.62	12.08

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Relational Investors – Mid Cap
Third Quarter 2011

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2008

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 51.8 million	\$ 571.0 million
Distributed Capital:	\$ 0.0 million	\$ 308.9 million

Market Value (9/30/11): \$ 331.4 million

Investment Strategy:

Relational's process is aimed at improving the performance of portfolio companies in a variety of areas, including operations, financial structure, and overall strategy. Typically, portfolio companies will be fairly mature companies with strong cash flows from underperforming core businesses. Generally, Relational is not looking for "turn around" opportunities. Relational looks to proactively engage each portfolio company to improve performance in the belief that improved corporate performance will result in a higher valuation for the company. RMMF will maintain a concentrated portfolio of 8-12 stocks with no single company will represent more than 25% of the Fund. There are no sector weight targets or limits.

Summary Analysis:

Number of Investments: 12

Organization:

- Glenn Welling, Managing Director of the Consumer, Healthcare, and Utilities group left the firm in October as a result of a mutual agreement. Also, Yvonne Young, Fund Controller, left the firm to be closer to her family in Los Angeles – Christine Conzen has assumed the majority of Ms. Young's responsibilities, and other responsibilities assumed by other accounting staff.
- Two new members joined the firm over the quarter – Carol Tang, Fund Accounting Specialist, and Bryce McFerran, Analyst.
- Five members of Relational's investment team were promoted (Matthew Hepler and Tom Lavia to Managing Director; Weston Ahlswede and Brendan Springstubb to Senior Analyst; and Michael McCulloch to Analyst). As a result of these promotions and Glenn Welling's departure from the firm, certain adjustments were made in the reporting lines and industry coverage.

Philosophy/Process: No material changes.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Relational Investors – Mid Cap
Third Quarter 2011

Performance Analysis:

Relational continues building its Mid Cap portfolio with twelve holdings, eight of which are disclosed. The Mid Cap portfolio had a negative but outperforming quarter as it led the benchmark and exited two positions (Wright Medical Group and McDermott International) completely and initiated investment in one position ("Project Crib"). Relational chose to exit McDermott International due to a risk management measure to decrease volatility and exited Wright Medical Group after the stock significantly outperformed the market following the restructuring announcement and appointment of Bob Palmisano as CEO. Harman launched a multiyear advertising campaign to further their branding efforts and Relational has set a working session with HAR's financial team to discuss capital structure and allocation. Ameriprise slightly missed 2Q11 earnings estimates but repurchased 6.5M shares and announced a definitive agreement to sell Securities America Financial Corporation and its subsidiaries for \$150M cash and potential payments. Esterline held its first Investor Day and highlighted the significant potential cost and revenue synergies from its Souriau acquisition but faces investor concerns of near term headwinds in defense spending and order volatility. Guaranty Bancorp's preferred shares have been converted to common shares as of September 30th. Assurant missed earnings consensus but returned approximately \$127.9M to shareholders in the form of dividends and share repurchases – Relational will continue to work with management and the board to enhance the company's capital allocation discipline and executive compensation plans. Plains Exploration continues to progress with its Gulf of Mexico development and the sale of the MMR stock will be used to deleverage the company and invest in PXP's core oil assets. Relational continues to conduct further due diligence on the newer positions (PMC-Sierra, Ashland, "Golf," and "Crib") to determine the position size. Relational holds investments in 12 portfolio companies, ten of which are disclosed, and is currently in varying stages of due diligence on seven additional investments. Wilshire will continue to monitor the portfolio activities.

Calendar Year Performance (%)				
As of 9/30/2011				
	YTD	2010	2009	4Q08*
Relational Mid-Cap	-12.94	29.67	82.41	-29.93
S&P 400 Mid Cap Index	-13.02	26.64	37.38	-25.55
Excess Return	0.08	3.03	45.03	-4.38

*First full-quarter performance since fund inception

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pacific Partners/WL Ross
Third Quarter 2011

Investment Type: Japanese Corporate Governance Fund

Inception Date: July 2003

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 502.5 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/11): \$ 683.2 million

Investment Strategy:

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

Summary Analysis:

Number of Investments: 17

Organization:

- Taisuke Fujita, the lead director on the Cypress Fund, decided to return to Japan to pursue hedge fund opportunities and resigned during the quarter. Taiyo indicates that it has already found a suitable replacement, and will officially introduce him in the fourth quarter.
- Taiyo started the India Fund; it is currently invested solely with Taiyo capital at the moment, with the fund raising process continued to be carried out.
- Taiyo has two club events scheduled in fourth quarter. The Benkyo-kai, a study event, took place on October 26 in Tokyo. This is an interactive case discussion regarding how to implement ROIC/WACC and other value creation metrics within Japanese organizations. The event was a great success with over 50 attendees from 30 companies participating. The Shacho-kai, which is the CEO roundtable, is to be held in Okayama on November 30.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pacific Partners/WL Ross

Third Quarter 2011

Performance Analysis:

The Taiyo Fund's third quarter time-weighted return (in USD) of -4.4% fared better relative to the TOPIX's -10.4%. According to the manager, excluding currency impact, the fund's local return was -9.9%. With the exception of healthcare related holdings, most of the Taiyo Fund's positions were down during the quarter. Taiyo's relative performance primarily benefited from its larger-than-TOPIX exposure to health services and health technology sectors (which mainly consists of *Milton*, +38.3%; Miraca, +11.2%; *Fenway*, +9.2%), as these strong domestic secular growth areas were favored by investors when export growth is expected to be negatively impacted by Europe's slowing and strengthening Yen. On the other hand, two of the Taiyo Fund's positions experienced sharp selloff during the quarter after announcing major restructuring plans and were among the top detractors. They were high tech equipment manufacturer ULVAC (-44.6%) and touch panel/In-Mold Decoration manufacturer Nissha Printing (-34.1%). Although it should be noted that Taiyo felt the long-term goal of the restructuring plans were misunderstood by investors and the fund continues to stand by these investments.

Calendar Year Performance (%)								
As of 9/30/2011								
	YTD	2010	2009	2008	2007	2006	2005	2004
Taiyo	-4.36	20.66	29.31	-37.32	-3.91	9.08	56.46	27.03
Topix Index	-15.31	-0.97	5.63	-41.77	-12.22	1.90	44.29	11.23
Excess Return	10.95	21.63	23.68	4.45	8.31	7.18	12.17	15.80

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pearl Fund/WL Ross
Third Quarter 2011

Investment Type: Japanese Corporate Governance Fund

Inception Date: October 2007

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/11): \$ 235.9 million

Investment Strategy:

TPF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant out performance for shareholders. TPF will utilize a friendly relational approach in working with Japanese companies in both public and private equity space to create and/or unlock value. TPF will focus on companies with a market cap of \$50 ~ \$500million. The investment approach will include 1) activist investing in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities), 2) active investing in attractive public companies (where they will not take a controlling stake holding less than 5%) and 3) active investing in private companies. Taiyo is seeking to achieve a 15% to 20% annualized return on an absolute basis. The portfolio will average about 30 stocks at a time and several private equity transactions.

Summary Analysis:

Number of Investments: 14

Organization:

- Taisuke Fujita, the lead director on the Cypress Fund, decided to return to Japan to pursue hedge fund opportunities and resigned during the quarter. Taiyo indicates that it has already found a suitable replacement, and will officially introduce him in the fourth quarter.
- Taiyo started the India Fund; it is currently invested solely with Taiyo capital at the moment, with the fund raising process continued to be carried out.
- Taiyo has two club events scheduled in fourth quarter. The Benkyo-kai, a study event, took place on October 26 in Tokyo. This is an interactive case discussion regarding how to implement ROIC/WACC and other value creation metrics within Japanese organizations. The event was a great success with over 50 attendees from 30 companies participating. The Shacho-kai, which is the CEO roundtable, is to be held in Okayama on November 30.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pearl Fund/WL Ross

Third Quarter 2011

Performance Analysis:

For the quarter ended September 30, 2011, the Pearl Fund generated a time-weighted return (in USD) of 1.7%, outpacing its stated objective, absolute return of 0%, as well as the TOPIX's return of -10.4%. According to the manager, excluding currency impact, the fund's local return was -2.7%. Sector positioning played a big part in this quarter's relative outperformance, with Pearl's high exposure to health services (19.4% total weight) and process industries (10.8% total weight), which were some of the better performing industries, being the primary contributors. Within healthcare, both nursing home operator Message Co (+11.5%) and Contract Research Organization company CMIC Co (+4.1%) posted solid gains. The mushroom grower "Jar" also rose +7.4% this quarter after its mid-term business plan was well-received by investors. In addition, Pearl's performance also received a big boost from regional bank "Cherry", whose performance rebounded +23.2% in third quarter, after investors realized this stock was unfairly punished the prior quarter for its association with the earthquake-stricken Tohoku region. Pearl's near-term performance has now recovered nicely, and its longer-term track record also continues to outperform its performance objective.

Calendar Year Performance (%)				
As of 9/30/2011				
	YTD	2010	2009	2008
Taiyo Pearl Fund	3.82	24.19	-2.78	-11.27
Absolute Return of 0%	0.00	0.00	0.00	0.00
Excess Return	3.82	24.19	-2.78	-11.27

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Taiyo Cypress Fund/WL Ross
Third Quarter 2011**

Investment Type: Japanese Corporate Governance Fund

Inception Date: April 2008

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.2 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/11): \$ 196.8 million

Investment Strategy:

Investment Strategy: TCF sees considerable un-tapped value in the Japanese stock market. TCF believes that responsible shareholder influence can unlock the value in Japanese companies, resulting in significant outperformance for shareholders. TCF will utilize a friendly relational approach in working with Japanese companies focused on opportunities in both the public and private equity space to create and/or unlock value. TCF will focus on companies with a market cap greater than ¥220 billion. The investment approach will include 1) activist investment in public companies including taking a controlling stake where appropriate (5% or greater in Japanese equities) and 2) active investment in private companies. The portfolio is expected to hold 8-10 publicly traded companies representing no less than 65% of the portfolio, with the remainder of the portfolio to be comprised of private equity.

Summary Analysis:

Number of Investments: 13

Organization:

- Taisuke Fujita, the lead director on the Cypress Fund, decided to return to Japan to pursue hedge fund opportunities and resigned during the quarter. Taiyo indicates that it has already found a suitable replacement, and will officially introduce him in the fourth quarter.
- Taiyo started the India Fund; it is currently invested solely with Taiyo capital at the moment, with the fund raising process continued to be carried out.
- Taiyo has two club events scheduled in fourth quarter. The Benkyo-kai, a study event, took place on October 26 in Tokyo. This is an interactive case discussion regarding how to implement ROIC/WACC and other value creation metrics within Japanese organizations. The event was a great success with over 50 attendees from 30 companies participating. The Shacho-kai, which is the CEO roundtable, is to be held in Okayama on November 30.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Cypress Fund/WL Ross
Third Quarter 2011

Performance Analysis (Continued):

The Cypress Fund generated a time-weighted return (in USD) of -4.1% and outperformed relative to the TOPIX's return of -10.4% for the quarter. According to the manager, excluding currency impact, the fund's local return was -7.6%. Many of Cypress' investments reports large gains during the quarter and were able to contribute the fund's relative performance. The biggest gainer was contract apartment construction company "Bigfoot", which returned +12.1% after reporting strong order growth. This is followed by regional bank "James" and appliance manufacturer "Doubletree". James was up +14.6% as declining credit cost helped it post higher profit this quarter, while Doubletree was up +18.1%, also following strong earnings that was driven by increased market share in fast-growing markets overseas. YTD, as well as over the one-, two-, and three-year periods, the Cypress Fund has continued to outperform the TOPIX by a large margin.

Calendar Year Performance (%)				
As of 9/30/2011				
	YTD	2010	2009	2008*
Taiyo Cypress Fund	-5.35	17.75	20.28	-22.53
Topix Index	-15.31	-0.97	5.63	-34.91
Excess Return	9.96	18.72	14.65	12.38

* Full-quarter performance started 6/30/2008

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Third Quarter 2011

Investment Type: European Corporate Governance Fund

Inception Date: September 2003

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 26.3 million	\$ 840.4 million
Distributed Capital:	\$ 0.0 million	\$ 606.5 million

Market Value (9/30/11): \$ 219.4 million

Investment Strategy:

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

Summary Analysis:

Number of Investments: 6

Organization:

- During the quarter, KV lost a €66 million mandate and had an increased commitment of approximately €370 million from an existing client. As previously reported, KV has decided to close KVIP to new investors and focus on expanding relationships with current investors. The decision was made because of continuing pressure on fees and the MFN clauses KV has with most clients.
- KV would like to examine the possibility of using a customized sector benchmark for the product rather than a market benchmark. In the manager's view, it would more accurately reflect how the team is managing the portfolio. KV will have a draft memo on its thoughts soon.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Third Quarter 2011

Performance Analysis:

KV underperformed the market during the 3Q with an IRR return of -30.49% versus -23.46% for the index, in USD. One-yr performance is also negative at -30.37% vs. the index return of -18%. Since inception, KV's performance has outpaced the benchmark by 2.89%. Much of the weakness in Q3 is due to the significant pullbacks in the share prices of Carrefour and Kesa, given general market concerns about the retail outlook in the UK and Europe, and Xstrata, which has seen a very sharp correction on fears of economic slowdown in China and consequent commodity price weakness.

Calendar Year Performance (%)								
As of 9/30/2011								
	YTD	2010	2009	2008	2007	2006	2005	2004
Knight Vinke	-22.50	-1.53	14.86	-34.26	7.42	51.12	28.08	24.73
FTSE World Europe	-18.32	4.93	38.73	-46.99	15.47	35.15	10.81	21.51
Excess Return	-4.18	-6.46	-23.87	12.73	-8.05	15.97	17.27	3.22

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Third Quarter 2011

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2005

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 274.3 million
Distributed Capital:	\$ 0.0 million	\$ 112.0 million

Market Value (9/30/11): \$ 58.5 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 9

Organization:

- Eric Winterhalter joined Blum as Partner during the quarter. Eric was previously with Crosslink Capital, a private equity firm with focus in the technology sector. He will primarily work with Paige on the investor relations front.

Philosophy/Process: No material changes.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Third Quarter 2011

Performance Analysis:

The Strategic Fund III ended the third quarter of 2011 with a time-weighted return of -25.4% and underperformed its absolute 8% annual objective return. The fund's performance also trailed the Russell 2000's 3Q return of -21.9%. All of Fund III's investments turned in poor results during the quarter, with the education and real estate services investments, which were the largest three positions with a combined weight of 74%, lead the decline. CBRE Group, with a return of -46.4% and a portfolio weight of 23.4%, was the single largest performance detractor this quarter. Because the company derives a large amount of its commercial real estate services revenue from outside of the U.S., CBRE's shares sold off sharply in August and September after concerns about Greece's sovereign debt condition spiked and growth forecast in Europe was slashed. ITT Educational Services and Career Education, the for-profit post secondary education providers (now representing 50% of Fund III's investments), also came under heavy selling pressure as recession fear and the lack of employment growth within the U.S. lead to heavy selloffs in the discretion spending industry. In addition, Avid Technology, Fund III's fourth largest position, reported a stall of an anticipated business recovery and subsequently saw its share price slid -58.9%. Due to the concentrated structure, the increased volatility in global markets had dealt a big blow to Fund III's performance turnaround effort in the third quarter, as all of its major engagements suffered large selloffs. While Blum remains convinced of these investments' intrinsic value and long-term prospect, it is Wilshire's view that the concentrated positions will continue to subject Fund III's performance to heightened swings in the near term.

Calendar Year Performance (%)						
As of 9/30/2011						
	YTD	2010	2009	2008	2007	2006
Blum III	-16.79	11.04	52.17	-42.95	3.92	9.46
8% Absolute Return	5.94	8.00	8.00	8.00	8.00	8.00
Excess Return	-22.73	3.04	44.17	-50.95	-4.08	1.46

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners IV
Third Quarter 2011**

Investment Type: U.S. Corporate Governance Fund

Inception Date: December 2007

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 295.2 million
Distributed Capital:	\$ 0.0 million	\$ 46.2 million

Market Value (9/30/11): \$ 172.9 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 17

Organization:

- Eric Winterhalter joined Blum as Partner during the quarter. Eric was previously with Crosslink Capital, a private equity firm with focus in the technology sector. He will primarily work with Paige on the investor relations front.

Philosophy/Process: No material changes.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners IV
Third Quarter 2011

Performance Analysis:

The Strategic Partner Fund IV's third quarter return of -19.5% also lagged the stated 8% annual objective, but was marginally better than the Russell 2000 Index's -21.9%. Similar to Fund III, large holdings CBRE Group (17.1% weight), ITT Educational Services (14.8% weight), and Avid Technology (3.6% weight) did not perform well for the quarter and were the primary detractors. Fund IV's performance was also hurt by its fifth largest position, "company S", which is an investment/trade processing services provider, with the company reporting a 3Q return of -31.7%. On the private equity side, Fund IV continues to move forward with its two main deals, Xtralis and Pacific Alliance Group Holdings. Both investments are performing in line with expectations, with Xtralis showing tremendous revenue growth and is continuing with planned acquisition to further expand into new market segments. Due to strong operating performance, the fund is happy to see a write-up of Xtralis' valuation this quarter. PAG is also on track for asset growth. Because Blum viewed the market to be in disconnect with real valuation at the end of 3Q, it decided to take advantage of the situation and deploy additional capital to initiate several new positions. Blum bills all of the new investments as high quality business with leading industry position at extremely depressed valuations, and Wilshire is glad to see the fund to diversify beyond the education and real estate services area. However, given the depressed performance level of the fund itself, Wilshire would like to place additional emphasis on how the existing investments' turn around are handled to recover Fund IV's since-inception performance.

Calendar Year Performance (%)				
As of 9/30/2011				
	YTD	2010	2009	2008
Blum IV	-15.42	2.31	36.28	-48.67
8% Absolute Return	5.94	8.00	8.00	8.00
Excess Return	-21.36	-5.69	28.28	-56.67

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
New Mountain Vantage
Third Quarter 2011**

Investment Type: U.S. Corporate Governance Fund

Inception Date: January 2006

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.7 million	\$ 203.6 million
Distributed Capital:	\$ 0.7 million	\$ 5.0 million

Market Value (9/30/11): \$ 229.6 million

Investment Strategy:

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

Summary Analysis:

Number of Investments: 39

Organization: No material changes.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

New Mountain Vantage
Third Quarter 2011

Performance Analysis:

Through the year-to-date period ending September 30, the New Mountain Vantage fund has returned -9.2%, trailing the -8.7% return for the Standard & Poor's 500 Index. Since its inception (January 4, 2006), the fund has returned 7.2% compared to 0.6% for the Standard & Poor's 500 Index. During the third quarter, many of the portfolio's holdings were negatively impacted by macro events, as well as a high correlation to the broader market in a period of sustained volatility. In most cases, each holding's decline is based on these issues and has little to do with any change in fundamentals. New Mountain remains confident that its portfolio contains sound companies, and seized this as an opportunity to add to many positions that declined in value to even more attractive levels. New Mountain built on upon existing positions in what were four of the five largest detractors from performance during the quarter, because they were high conviction names. The portfolio management team does not believe the macro and political events driving these markets will be resolved any time soon, particularly the issues in the Eurozone. Working within a framework of firm, predetermined levels, New Mountain remains poised to deploy further capital to existing names as prices fall below intrinsic values. In order to mitigate risk in this environment, New Mountain is seeking to avoid exposure to Europe and to domestic companies that are heavily tied to government-related spending, given the ongoing deficit reduction efforts being taken up in Washington.

Calendar Year Performance (%)						
As of 9/30/2011						
	YTD	2010	2009	2008	2007	2006
New Mountain	-4.24	24.37	40.95	-27.65	-2.05	
S&P 500	-8.68	15.06	26.46	-37.00	5.49	
Excess Return	4.44	9.31	14.49	9.35	-7.54	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

**Breeden Partners
Third Quarter 2011**

Investment Type: U.S. Corporate Governance Fund

Inception Date: June 2006

Capital Commitment: \$500 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 638.4 million
Distributed Capital:	\$ 0.0 million	\$ 138.5 million

Market Value (9/30/11): \$ 337.5 million

Investment Strategy:

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

Summary Analysis:

Number of Investments: 13

Organization:

- Breeden and CalPERS agreed to wind down the Breeden Europe fund by year-end. Breeden Europe is in the process of executing an orderly liquidation of the portfolio and expects to exit all positions by year end.

Philosophy/Process: No material changes.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Breeden Partners
Third Quarter 2011

Performance Analysis:

During the third quarter, Breeden exited from three positions (Casey's General Stores due to a run up in stock price; RSC Holdings as part of a risk management decision and to lower exposure to industrials; and Whirlpool due to the challenging macro environment, but may revisit) and initiated a new position in one investment (Project Shell). Overall, the portfolio, like all equity markets, had a negative quarter, but still outpaced the benchmark return. Although American Science & Engineering missed earnings, ASEI announced higher orders for the quarter and domestic spending to secure ports and borders bodes well for continued growth in the US installed base. General business prospects for AON are positive and the integration of the Hewitt acquisition is going well. Dun & Bradstreet realized solid customer retention and continued to make progress with its technology initiatives. Richard Reese is back at the helm at Iron Mountain and IRM has returned significant amounts of capital to shareholders through dividends and buybacks. Flowserve had a very challenging quarter due to the industrial exposure and macro fears in general. Airgas raised their full year EPS and same store sales remained solid while buying back an additional \$300M of stock. As of October, Breeden has since exited its position in EMCOR due to an overall risk management effort. Breeden trimmed its position in Helmerich & Payne during the quarter – HP continues to gain market share in the domestic land drilling market and has been increasing production to meet orders. Although the judge ruled in favor of the DoJ, the lack of TaxAct will not adversely impact H&R Block prospects for the 2012 season. Stanley Black & Decker had a weaker quarter due to macro concerns but closed its \$1.2B cash acquisition of Swedend's Niscayah to strengthen SWK's European operations and using SWK's stranded overseas cash. The discussions with the FDA about System 1E continue to put a cloud over Steris' shares but STE did increase the dividend by 13%. Lastly, Zale reported relatively strong earnings as ZLC continues to explore opportunities in product licensing and in-store services.

Calendar Year Performance (%)						
As of 9/30/2011						
	YTD	2010	2009	2008	2007	2006
Breeden Partners	-3.50	5.05	23.63	-35.96	-4.28	
S&P 500	-8.68	15.06	26.46	-37.00	5.49	
Excess Return	5.18	-10.01	-2.83	1.04	-9.77	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**
Governance for Owners
Third Quarter 2011

Investment Type: European Corporate Governance Fund

Inception Date: October 2006

Capital Commitment: \$300 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 300.1 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/11): \$ 198.7 million

Investment Strategy:

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

Summary Analysis:

Number of Investments: 21

Organization:

- Mark O'Connor joined the firm in September as a Partner, responsible for business development. Mark has over twenty years financial services industry experience including nine years leading a successful business development team at asset manager Hermes.
- The marketing effort for the GOEFF II is on-going.

Philosophy/Process: No material changes.

Performance Analysis:

GO underperformed for the third quarter in a row with a return of -22.85% versus a return of -16.9% for the FTSE All World Developed Europe Index. Stock specific factors for individual holdings are discussed in the following section. Performance this quarter brought the since inception performance to -8.62% versus -6.33% for the index. After a string of positive quarters, the last three quarters have seen setbacks which have impacted the since inception performance, some of which is related to the impact of European uncertainty on specific company prospects. Business risk is now somewhat lessened but will continue to be monitored closely as the performance turnaround seen by GO has faltered.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**
Governance for Owners
Third Quarter 2011

Performance Analysis (Continued):

Calendar Year Performance (%)					
As of 9/30/2011					
	YTD	2010	2009	2008	2007
Governance for Owners	-19.12	28.86	39.02	-53.14	7.06
FTSE AW Dev Europe	-15.61	4.93	38.73	-46.99	15.47
Excess Return	-3.51	23.93	0.29	-6.15	-8.41

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Lazard Korea Corporate Governance Fund
Third Quarter 2011

Investment Type: Korean Corporate Governance Fund

Inception Date: May 2008

Capital Commitment: \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 100.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.1 million

Market Value (9/30/11): \$ 64.9 million

Investment Strategy:

The Fund's strategy is to add value by investing in small and mid-sized Korean companies that are undervalued with significant room to improve governance principles and practices. The Fund has a unique and exclusive relationship with the Center for Good Corporate Governance (CGCG), whereby the CGCG provides strategic advice regarding the engagement of a targeted company. Notably, the Fund will pursue its objective through a collaborative discussion between company management, the Fund and other shareholders, rather than a confrontational approach. The Fund feels that the Korean market is particularly well-suited to a corporate governance approach to investing as many companies have poor governance practices and the country trades at a discount to other similar markets as a result.

Summary Analysis:

Number of Investments: 18

Organization: No material changes.

Philosophy/Process: No material changes.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Lazard Korea Corporate Governance Fund
Third Quarter 2011

Performance Analysis:

The Korea Corporate Governance Fund declined -24.6% for the third quarter, underperforming the KOSPI (USD) return of -23.7%. The Korean market was led by the consumer discretionary and retail sectors, while the industrial sector declined as economic growth and government spending slowed in Europe and China. This slowdown impacted many of the fund's industrial and materials sector holdings such as Taekwang Industrial and STX Shipbuilding. As the demand for the new ships has all but dried up in Europe, the portfolio team's outlook for STX (which had already been one of the larger detractors from performance during the third quarter) became negative and Lazard exited this position in October. The single largest detractor from overall fund performance was Taekwang Industrials, which fell due to concerns over the slowing growth in the Chinese economy; the company has a large exposure to the Chinese market, and is dependent on that country's demand for its products (high Chinese demand earlier in 2011 led to record sales and profits for the company). The portfolio team maintains that global macroeconomic events are now reverberating in the Korean markets and driving down share prices, but that for many of the fund's holdings this price action is detached from any change in company fundamentals which remain sound.

Calendar Year Performance (%)				
As of 9/30/2011				
	YTD	2010	2009	2008*
Lazard Korea	-22.75	29.55	11.11	-40.83
KOSPI	-17.45	25.92	65.67	-48.02
Excess Return	-5.30	3.63	-54.56	7.19

* Full-quarter performance started 6/30/2008

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Cartica Capital Partners, LP
Third Quarter 2011**

Investment Type: Emerging Markets Corporate Governance Fund

Inception Date: December 2009

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 38.5 million	\$ 216.7 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/11): \$ 232.3 million

Investment Strategy:

CCPLP will pursue a long-only investment strategy in emerging markets with investment in both public and private equity. The portfolio will target companies with enterprise values between USD \$100 million and \$2 billion and CMLLC will use a “relational” investment approach, working cooperatively with management. It is expected that public equities will comprise approximately 70% of the portfolio. The private equity portfolio will generally be focused on pre-IPO situations and CMLLC expects to avoid turnaround or distressed situations. The target market cap range for private transactions is slightly lower -- \$80 million to \$1 billion. CCPLP’s goal “is to realize significant returns by identifying companies with the greatest potential for increased value once they implement governance enhancement policies tailored to the specific circumstances of the individual company and financial market.”

Summary Analysis:

Number of Investments: 9

Organization:

- Cartica had envisioned the additional capital committed by CalPERS to be invested both across the portfolio and in a few new positions over a period of three to four month, however the fund has turned more cautious earlier this year and as such it will likely take a longer time to put that capital to work.
- Cartica continues to reach out to larger institutional investors and has a goal of raising \$100-200 million in additional commitments in 2011. Several investors have expressed interest but there continues to be little visibility into the timing of potential investments.

Philosophy/Process: No material changes.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Cartica Capital Partners, LP
Third Quarter 2011

Performance Analysis:

The fund outperformed during the quarter with a return of -15.7% while the index (MSCI EM) was down -23.18%. The fund returned -22.41% vs. the index return of -23.53% YTD as of the end of September. The since inception performance continues to be substantially positive with a return of 46.34% versus the index return of -10.20%. Cartica was able to re-coup most of the relative underperformance seen during the first half of 2011 in the third quarter, in what are very challenging markets. The firm continues their fundamental work and will cautiously look to invest further capital at attractive prices. Wilshire continues to expect that business development for the firm will pick up going into 2012 as investors examine their very attractive fund profile. The broad experience of the investment professionals has helped them build out a portfolio of companies to engage and unlock shareholder value even in the face of these volatile markets. The focus on emerging markets also helps diversify the Corporate Governance program.

Calendar Year Performance (%)			
As of 9/30/2011			
	YTD	2010	2009*
Cartica	-13.32	73.73	8.10
FTSE AW EM Index	-22.02	19.81	8.93
Excess Return	8.70	53.92	-0.83

* Full-quarter performance started 12/31/2009